

Texas Department of Health

**BUSINESS PRACTICES EVALUATION**

**August 31, 2001**

***ELTON BOMER***

**Consultant**

## ***ACKNOWLEDGMENT***

This report would not have been possible without the generosity and complete cooperation of many people in Texas State government. In particular, the project team wishes to thank:

Texas Department of Health and Human Services Commissioner Don Gilbert for his advice and guidance, for the loan of Associate Commissioner Gary Bego to the project team and for facilitating the loan of two employees from the Department of Protective and Regulatory Services;

Texas Department of Protective and Regulatory Services executive director Jim Hine for the loan of two of his key employees, Rejan Giguere and Mary Fields, to assist TDH in developing management reports as the agency implements its new financial accounting system;

Commissioner of Insurance Jose Montemayor for the loan of Chief of Staff Stan Wedel, and Executive Assistant Lisa Louviere;

Attorney General John Cornyn for the loan of Assistant Attorney General Rose Ann Reeser.

Finally, but of greatest importance, we gratefully acknowledge the cooperation, support and input of the Texas Board of Health, Acting Commissioner of Health Dr. Charles Bell, Acting Executive Deputy Commissioner Ben Delgado, and all of the staff at the Texas Department of Health. The project team has been impressed with the many dedicated professionals who day after day, in spite of all obstacles, carry out the vital public health mission of the agency. The State of Texas should be proud of these people and the work they perform.

***Elton Bomer, Consultant***  
***1199 FM 837***  
***Montalba, TX 75853***  
***(903) 549-3232***

August 31, 2001

Charles Bell, M.D.  
Commissioner of Health  
Texas Department of Health  
1100 West 49<sup>th</sup> Street  
Austin, Texas 78756

Dear Dr. Bell:

I am pleased to submit this final report summarizing our review and analysis of the structure and operations of the Texas Department of Health as directed by Rider 2 of the appropriation to the Texas Department of Health as contained in the General Appropriations Act, adopted by the 77<sup>th</sup> Legislature.

Legislative leaders feared that TDH was losing its focus on its basic mission, to promote and protect the public health in Texas. My role is to identify ways that the Department can regain its focus on that mission and better carry out its work. This report identifies problems and makes recommendations for significant changes that I believe will benefit the Department and the people it serves.

This report contains my candid observations of the agency as it operates and as it is perceived by the legislature. The analysis of problems and recommended changes are based on my experiences as a legislator, as the head of a large state agency and as Secretary of State and senior advisor to the Governor. I will not be satisfied with having written yet another report. Changes must be endorsed, implemented, and maintained beginning at the highest level and throughout the Department. To assist the Department in this effort, this report strongly recommends establishing a permanent team, specifically charged with implementing the recommendations in this report, including a complete functional review of Department operations. Moreover, I am personally committed to working with legislative leadership and with the Department to see that the recommendations in this report are enacted.

Thank you for this opportunity to have been of service to the Texas Department of Health. You and the agency staff have been most cooperative in helping us obtain the information we requested, have offered advice in many of the areas we examined and have been eager to implement changes we recommended.

Sincerely,

Elton Bomer

## Table of Contents

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Introduction .....	1
Executive Summary .....	3
Discussions and Recommendations .....	13
List of Interviews Conducted .....	Appendix 1
Implementation Chart .....	Appendix 2
TDH Mission Statement .....	Appendix 3
Organizational Chart .....	Appendix 4

# Introduction

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During the 77<sup>th</sup> legislative session, key figures in the legislative and executive branches of Texas government expressed serious concern over the operation of the Texas Department of Health (“TDH” or “the Department”). Legislators, the governor’s office, the lieutenant governor’s office and the speaker’s office noted a lack of confidence in the Department’s financial processes and expressed frustration at the inability to secure accurate, timely data from the Department. Rider 2 of the appropriation to the Texas Department of Health as contained in the General Appropriations Act, as adopted by the 77<sup>th</sup> Legislature, requires TDH to develop a business plan, and it details areas the plan must address. The rider also expressly authorizes TDH to retain an outside consultant to assist the Department in this process. The rider reads as follows:

**Business Improvement Plan.** It is the intent of the Legislature that the Board of Health and the Department of Health shall develop and implement with the assistance of the Health and Human Services commissioner, a comprehensive business improvement plan for the Texas Department of Health. The plan shall include timelines, benchmarks and projected outcomes for improvement of the department’s systems and controls. The plan shall be prepared in a format specified by the Health and Human Services Commission and the State Auditor and shall address elements including:

- a. finance and accounting;
- b. budgeting;
- c. contract and grant management;
- d. administrative information systems; and
- e. other elements determined appropriate by the State Auditor

An initial assessment report will be due on December 1, 2001, with additional reports due at the end of each state fiscal quarter. The department shall provide a status report on the implementation of the business improvement plan to the Governor, Legislative Budget Board, Legislative Audit Committee, the Health and Human Services Commission, and the State Auditor. The reports shall be prepared in a format specified by the Health and Human Services Commission and the State Auditor and shall include specific information demonstrating the progress made by the department in achieving the goals and objectives of the plan.

The Health and Human Services Commission and the State Auditor shall monitor the implementation of the plan. The Texas Department of Health may enter into a contract for consultant services from a management consultant to assist with the planning and development and evaluation of the elements described above.

## **Introduction**

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The Texas Board of Health expressed a desire to have an outside consultant to perform a review of business practices and identify management efficiencies that might be realized. The Board contracted with Elton Bomer, former Secretary of State and Commissioner of Insurance, to perform a review of the agency and to prepare this report. The report provides the basis for the business plan that the appropriations rider requires TDH to produce by December 1, 2001.

## **Project Team**

Mr. Bomer requested the assistance of three state employees, each of whom brings particular expertise to the project.

Stan Wedel is the Chief of Staff at the Texas Department of Insurance. Mr. Wedel has many years experience with budget, accounting, information systems and personnel management.

Gary Bego is Associate Commissioner at the Health and Human Services Commission. Mr. Bego has a financial management background in Texas health and human service agencies, including the Department of Health.

Rose Ann Reeser is Deputy Chief of the Consumer Protection Division of the Office of the Attorney General and former Senior Associate Commissioner for Regulation and Safety at the Texas Department of Insurance. Ms. Reeser brings legal, regulatory and state agency management experience to the project team.

Lisa Louviere is an Executive Assistant at the Texas Department of Insurance. Ms. Louviere provided invaluable expertise in producing this report.

## **Executive Summary**

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### **Purpose of Review**

The Texas Department of Health (TDH or the Department) requested this review to offer guidance in fulfilling its mandate under Rider 2 of the appropriation to TDH as contained in the General Appropriations Act, adopted by the 77<sup>th</sup> Legislature.

The project team, including consultant Elton Bomer and three employees on loan from other state agencies, spent ninety days interviewing legislators, legislative staff, oversight agencies, members of the Board of Health, TDH staff and other individuals deemed necessary to prepare this report. Because of time constraints and the limited scope of this review, the team did not conduct a broad survey of TDH personnel. The team did, however, use information from the University of Texas Survey of Organizational Excellence to reflect the views of non-management personnel.

The Department cannot function efficiently without a complete reordering of its administrative and organizational infrastructure. Therefore, most of the project team's focus was on analyzing financial and administrative functions. In the process of gathering information to address those areas, certain other areas of concern became apparent and are addressed in this report. The team did not analyze all of the Department's many functions, nor did it include an analysis of the state's Medicaid acute care services which will be transferring to the Health and Human Services Commission effective September 1, 2001. We hope that this report will prove useful in the Department's continuing efforts to improve its operation to more efficiently and effectively fulfill its public health mission.

### **Brief History of the Department of Health**

The TDH Comprehensive Strategic and Operational Plan of September, 2000, (the "Blueprint") states:

TDH is a complex agency. The department has more than 5,500 employees and an annual appropriation of approximately \$6.5 billion. It administers more than 200 separate programs and operational units. The department performs its duties through a large central office, eight regional offices, and two hospitals; through contracts with autonomous local health departments, health care providers and agencies, and Medicaid administrative organizations; and in concert with other state agencies and their local partners. Funds for agency activities originate from dozens of federal grants and state general revenue streams.

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## Executive Summary

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At no point in TDH's long past was it ever conceptualized as a monolithic unit. On the contrary, TDH was built one program at a time. Year by year, decade by decade, the Texas legislature and the federal government responded to perceived health needs by adding individual programs, functions, and responsibilities to the agency. TDH added other programs on its own initiative. Now, in the year 2000, the agency exists more as a colony of separate programs than an organism of coordinated functions.<sup>1</sup>

As TDH acknowledges in the Blueprint, the agency must change from "disparate colonies" into a "coordinated organism".<sup>2</sup>

The Texas Department of Health has undergone rapid growth in the past twenty years, as new state and federal programs and funding sources became available and new responsibilities were added to the agency. While TDH is staffed with dedicated professionals who do an admirable job of fulfilling the missions of their programs, the agency's structure and administrative systems have not kept pace with the growing complexity of the agency and do not always support its mission.

## **Legislative Scrutiny of the Department of Health**

Over the past ten years, there have been numerous studies, audits and reports analyzing and recommending changes to TDH functions. The increasing frequency and intensity of these studies, many of them statutorily mandated, reflect the legislature's eroding confidence in the operation of the agency. We have reviewed the major works, including:

- Comprehensive Management Study conducted by Andersen Consulting - 1991
  - Report of the Commissioner's Task Force on Public Health Regions – 1993
  - Sunset Advisory Commission Report – 1998
  - An Audit Report on the Department of Health's Medicaid Contract With National Heritage Insurance Company (SAO Report No. 00-036) - July 2000
  - A Follow-Up Audit of Medicaid Managed Care at the Department of Health (SAO Report No. 00-039) - August 2000
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<sup>1</sup> "Texas Department of Health Comprehensive Strategic and Operational Plan: A Blueprint for Public Health Improvement" Fiscal Years 2001-2002, p. 13. (the "Blueprint"), p. 13

<sup>2</sup> Blueprint, p. 14.



## Executive Summary

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- TDH Comprehensive Strategic and Operations Plan: A Blueprint for Public Health Improvement (response to Sunset) – Sept. 2000
- TDH Regulatory Review Report (response to Sunset) - Nov. 2000
- Texas Health and Human Services Commission Report on Texas Department of Health Regulatory Programs: Recommendations for Consolidating, Restructuring, or Moving Health-Related Regulatory Programs – Dec. 2000
- TDH Agency-wide Administrative Issues – Jan. 2001
- An Audit Report on Financial Management at the Department of Health (SAO Report No. 01-021) – March 2001
- Numerous reports by the TDH Internal Auditor prepared from 1998 through 2001

Many of these reports identify some of the same problems with administrative functions the team has observed during the short duration of our review. Each of these reports has recommended solutions, and TDH has implemented some, begun implementation of others, and rejected others.

## **Review Approach**

To review TDH operations, the project team:

- interviewed government officials, key legislators, legislative staff and oversight agencies, including
    - Members of the Board of Health
    - Health and Human Services Commissioner
    - Governor’s Office senior staff
    - Lt. Governor’s Office senior staff
    - Speaker’s Office senior staff
    - Senate Finance Committee senior staff
    - House Appropriations Committee senior staff
    - Key senators and representatives
    - Sunset Advisory Commission staff
    - Legislative Budget Board staff
    - State Auditor and staff.
  - reviewed prior reports and audits
  - reviewed information provided by TDH staff
  - met regularly with acting Commissioner Charles Bell and acting Executive Deputy Commissioner Ben Delgado
  - interviewed TDH senior staff through the Bureau Chief level
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## Executive Summary

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- interviewed additional TDH staff as necessary to address particular areas of concern
- made recommendations, as need became apparent, for change that could be undertaken immediately

A list of all those interviewed is attached. (Appendix 1)

## **Issues Identified**

In spite of the continued scrutiny and important steps taken by TDH to address recommendations made in previous reports, very basic problems remain within the agency. The agency must address fundamental problems outlined by the following four general areas to most effectively fulfill its public health mission:

- The Texas legislature lacks confidence in TDH business practices.
- Vacancies at executive levels and staff turnover at all levels hinder agency functions.
- Fundamental administrative systems, including those listed below, are not adequately coordinated:
  - i. Finance and Accounting
  - ii. Budgeting
  - iii. Contract and Grants Management
  - iv. Administrative Information Systems
- TDH organizational structure does not foster necessary communication nor establish clear lines of authority, resulting in a serious lack of accountability for agency performance.

To address these general problem areas, we have organized our recommendations into the following four corresponding categories and a fifth category for other issues.

- Restore a relationship of trust and credibility with the Texas legislature
  - Attract and retain competent staff
  - Standardize basic administrative functions
  - Change the agency organizational structure to increase efficiency and accountability
  - Other issues
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## **Executive Summary**

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These recommendations should form the basis of the TDH business plan required by Rider 2. They are listed in Appendix 2 in the format requested by the State Auditor's Office.

### **Opportunity to Focus on Mission**

The transfer of Medicaid functions provides an excellent opportunity for TDH to focus on its core public health mission, to restate its vision and mission, and to reorganize its operation to more efficiently carry out that mission.

Since 1993, TDH has had management responsibility for the state's Medicaid program, now a \$6 billion per year enterprise. Legislative leadership, along with members of the Board of Health and TDH executive management, recognize that this enormous program required so much management attention that the essential public health mission of the agency had become obscured. It became increasingly difficult to prioritize public health issues when the legislature and TDH management were preoccupied with Medicaid.

On September 1, 2001, the Health and Human Services Commission will assume all policy, budget and management responsibility for most of the State's Medicaid program. TDH will continue to provide some support functions under an interagency contract until the transition is complete in August, 2002. We encourage TDH to continue to work with HHSC to formalize the steps needed to ensure a timely and orderly transfer.

TDH now has an excellent opportunity to reorder its priorities and should engage its strategic planning process to restate the agency's vision, mission and philosophy. The current vision, mission and philosophy statements are too nebulous to serve as an adequate guide for setting agency goals or measuring success. More than one TDH employee pointed out that, although wordy, the current mission statement and philosophy do not even touch on the important regulatory functions of the Department. (Appendix 3)

### **Recommendation Summary**

Implementation of the recommendations which follow will significantly improve the overall operation and public image of TDH, thereby increasing the efficiency and effectiveness of public health service delivery in Texas. As the team identified changes which could improve the agency's operations, we discussed

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## Executive Summary

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our recommendations with Dr. Bell and Mr. Delgado. They were extremely receptive and responsive, and have already begun implementation of many of the recommendations. Some of the remaining recommendations can be accomplished relatively quickly, while others will require more time. The Discussion and Recommendation section provides a complete description of the findings and recommendations, including implementation timelines for specific recommendations.

Based on our review, we conclude that TDH must:

	Page Number
<b>Restore a Relationship of Trust and Credibility with the Texas Legislature</b>	
• Communicate with legislative staff and staff of oversight bodies to keep appropriate staff advised of agency activities and to alert legislative leadership and oversight bodies to possible problems before they happen.	12
• Initiate a review of the internal audit function by the State Agency Internal Audit Forum and improve communication with the State Auditor's Office.	13
• Improve the operation of the Communications Office by:	15
– Promoting the good news of TDH and the information necessary to promote public health instead of primarily reacting to bad news;	
– Strengthening and enforcing the media communication policy to increase accountability and consistency;	
– Clearing all advertising campaigns and publications through the Communications Office to ensure consistency of message and to maintain a single repository of all agency publications;	
– Renaming office "Public Information Office" to emphasize its role in communicating to the public.	
• Strengthen the role of the Government Relations office by utilizing senior level staff who possess overall knowledge of TDH and by refining the process of submitting legislative initiatives.	17
• Be prepared to respond promptly and accurately to legislative requests by extracting information from all agency systems and compiling an inventory of responses to past legislative questions.	18
• Establish a permanent implementation and re-engineering team linked to HHSC, to help implement recommendations in this report and conduct continuous functional review of agency operations.	19
• Improve public access to agency information by adopting TDH Customer Service Plan.	20

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## Executive Summary

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	Page number
<b>Attract and Retain Competent Staff</b>	
<ul style="list-style-type: none"><li>• Fill executive level vacancies as quickly as possible with competent, experienced individuals who indicate a commitment to staying with TDH for a reasonable period of time.</li></ul>	21
<ul style="list-style-type: none"><li>• Focus on recruiting, rewarding and retaining executive, managerial and technical staff in the administrative and program areas.</li><li>• Perform comprehensive salary review.</li><li>• Implement succession planning so that departure of key staff is not devastating to program functions.</li><li>• Require management training for all supervisory employees.</li><li>• Use the University of Texas Survey of Organizational Excellence as a tool for improving employee relations within the agency.</li></ul>	23
<ul style="list-style-type: none"><li>• Consolidate current grievance systems.</li></ul>	25
<ul style="list-style-type: none"><li>• Establish an executive level employee ombudsman.</li></ul>	26
<ul style="list-style-type: none"><li>• Change the Performance Journal to create a more effective evaluation tool.</li></ul>	
<ul style="list-style-type: none"><li>• Require monthly reports from each program and region to be shared within the agency so that entire agency can be aware of program activities.</li></ul>	
<b>Standardize Basic Administrative Functions</b>	
<ul style="list-style-type: none"><li>• Place high priority on PeopleSoft implementation.</li></ul>	27
<ul style="list-style-type: none"><li>• Formalize policy and procedure for budget process.</li></ul>	29
<ul style="list-style-type: none"><li>• Centralize budget and accounting policies and procedures and formulate a plan for eventual consolidation of staff performing these functions.</li><li>• Ensure that agency managers understand budget process and their own responsibility for budget matters.</li><li>• Produce monthly budget reports by program.</li><li>• Establish policy and procedure for regular budget monitoring and reporting.</li><li>• Consider consolidating budget and accounting staff.</li><li>• Hold monthly budget meetings.</li><li>• Provide legislative staff with advance notice of transfers and other budget issues.</li><li>• Train accounting staff on expenditure coding.</li><li>• Perform immediate review of how federal program moneys are expended. (CFO)</li></ul>	32

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## Executive Summary

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	Page Number
• Conduct internal audit to review budgeting and expenditure of appropriated funds.	33
• Prepare annual report internally rather than contracting out that responsibility.	33
• Contract with expert to assess cost allocation methodology.	35
• Adopt methodology that allows greatest flexibility in use of administrative staff.	
• Accurately identify all current direct and indirect administrative costs.	36
• Centralize purchasing policies and procedures and formulate a plan for eventual consolidation of staff performing these functions.	38
• Centralize grant and contract management policies and procedures and formulate a plan for eventual consolidation of staff performing these functions.	39
• Hold personnel accountable for meeting contract renewal dates.	
• Centralize human resources policies and procedures and formulate a plan for eventual consolidation of staff performing these functions.	40
• Centralize information systems policies and procedures and formulate a plan for eventual consolidation of staff performing these functions.	41
• Perform constant review of systems operations. (Information Resources Steering Committee)	
• Create committee of automation systems customers to ensure that internal customer needs are met.	
 <b>Change the Agency Organizational Structure to Increase Efficiency and Accountability</b>	
• Proceed with planned consolidation of program Associateships.	45
• Establish Commissioner of Health and a Chief Operating Officer as a team that combines strong public health experience and strong management and public agency operations experience.	46
• Elevate the Office of Equal Opportunity to report directly to the Chief Operating Officer.	47
• Have the strategic planning function report to the Chief Operating Officer and coordinate activity closely with the budget function.	47
• Create an Office of the Inspector General that combines the functions of internal audit and criminal investigations.	48
• Have the Communications Office, Government Relations and Office of the Board of Health report directly to Chief Operating Officer.	49

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## Executive Summary

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	Page Number
<ul style="list-style-type: none"><li>• Create an Executive Deputy Commissioner for Programs who oversees all program and regional activities.</li></ul>	49
<ul style="list-style-type: none"><li>• Create the office of Associate Commissioner for Regional Operations who would be located in Austin and to whom all Regional Directors would report.</li></ul>	50
<ul style="list-style-type: none"><li>• Elevate the Chief Financial Officer to Deputy Commissioner level.</li></ul>	51
<ul style="list-style-type: none"><li>• Consolidate all grant management and contract functions under Chief Financial Officer.</li></ul>	52
<ul style="list-style-type: none"><li>• Move the purchasing function from Human Resources to report to the Chief Financial Officer.</li></ul>	52
<ul style="list-style-type: none"><li>• Create Center for Health Statistics.</li></ul>	54
<ul style="list-style-type: none"><li>• Separate the human resources and support functions.</li></ul>	54
<ul style="list-style-type: none"><li>• Eliminate the position of Executive Deputy Commissioner.</li></ul>	55
<ul style="list-style-type: none"><li>• Eliminate the executive level position of Chief of Staff.</li></ul>	
<ul style="list-style-type: none"><li>• Eliminate the Office of Policy and Planning.</li></ul>	
<ul style="list-style-type: none"><li>• Eliminate the position of Deputy Commissioner for Programs.</li></ul>	
<b>Other issues</b>	
<ul style="list-style-type: none"><li>• More fully integrate regional operations into agency operation.</li></ul>	58
<ul style="list-style-type: none"><li>• Streamline professional licensing functions.</li></ul>	61
<ul style="list-style-type: none"><li>• Improve process for handling mail and fee remittances.</li></ul>	66
<ul style="list-style-type: none"><li>• Improve Childhood immunization rates.<ul style="list-style-type: none"><li>– Reintroduce legislation (SB 1237) providing for changes to the immunization registry to increase use and allow access by appropriate health providers and payors.</li><li>– Institute a statewide immunization recall and reminder program.</li><li>– Continue to study barriers to immunization, implement improvements that do not require statutory change, and recommend statutory change as necessary.</li></ul></li></ul>	68
<ul style="list-style-type: none"><li>• Develop management information reporting system.</li></ul>	71

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## DISCUSSION AND RECOMMENDATIONS

### Restore relationship of trust and credibility with legislature

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Issue		Recommendation
	<p>Each of the following have expressed concern that TDH is not operating efficiently and effectively:</p> <ul style="list-style-type: none"><li>• Office of the Governor</li><li>• Office of the Lieutenant Governor</li><li>• Office of the Speaker of the House</li><li>• Senators</li><li>• Representatives</li><li>• House Appropriations Committee</li><li>• Senate Finance Committee</li><li>• Legislative Budget Board</li><li>• State Auditor's Office</li></ul> <p>Representatives of these entities offered different specific examples, but consistently identified the following frustrations:</p> <ul style="list-style-type: none"><li>• TDH could not produce timely, reliable data in response to legislative requests.</li><li>• It is difficult to find who is responsible for what at TDH. There is a pervasive lack of accountability.</li><li>• TDH has a history of "gaming the system" by obfuscating methods of finance.</li></ul> <p>Without the support of these governmental leaders, no state agency can function well for long. Each of the recommendations in this report is designed to help TDH operate in a more coordinated, efficient manner and thus regain the confidence of the legislature.</p>	
<b>Legislature has been unaware of TDH problems until they are published</b>	Legislative staff and staff of oversight bodies complained that they were often unaware of problems or newsworthy events at TDH until they heard about it from somewhere outside the agency or read it in the paper. In the past, TDH executive staff has not provided enough information to key legislative staff to keep the legislature	<b>Hold personal meetings to keep legislature and staff informed of TDH activities</b>

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## Restore relationship of trust and credibility with legislature, continued

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informed of agency operations and avoid surprises. We have urged the acting Commissioner and executive level staff to meet personally with key legislators and staff to explain major department initiatives and to alert the legislature to possible problems before the problems arise. This kind of communication will help build a continuing atmosphere of mutual trust between TDH and legislative leadership.

**Internal Audit.** The internal audit function at the Texas Department of Health reports directly to the Board of Health. It is responsible for providing independent, objective assurance and consulting services to add value and to improve the effectiveness of risk management, control, and governance processes.

**Internal Audit function could be more effective**

The internal audit function could be more effective in serving management and the Board by:

- surveying key customers (including executive management and the TDH Board members) on desirable reporting format, content and length
- improving the working relationship with the State Auditor's Office
- obtaining an external peer review via the Texas State Agency Internal Audit Forum.

**Survey internal audit customers**

**Summary reports to executive management and oversight agencies contain insufficient detail**

Internal audit reports provided to the Board, executive management, the State Auditor's Office (SAO) are usually one page in length and do not provide sufficient information to adequately inform decision makers of the specific problems and issues that need to be monitored and resolved. That level of detail is provided only to managers of audited activities and is considered a portion of the audit workpapers.

Although this may be an acceptable practice in some organizations, the more detailed report in its entirety should be issued to executive management, the Board, and the SAO. To ensure these detailed reports are important management tools, they should become agenda items for discussion at TDH executive staff meetings. These reports should minimally include the recommendation, current status, division responsible,

**Produce detailed audit reports to TDH executive management, Board, and State Auditor's Office**

**Discuss audit reports at executive staff meetings**

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Continued on next page

## Restore relationship of trust and credibility with legislature, continued

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### **TDH lacks good working relationship with State Auditor's Office**

assigned manager, estimated completion date, and management comments on implementation actions. In addition, a system should be established to provide quarterly reports to executive management and the Board on the implementation status of all audit recommendations.

**Produce quarterly reports on implementation of audit recommendations**

In conversations with the TDH Internal Audit staff, agency management, and SAO staff, it is clear that TDH has had a troubled relationship with the SAO for a number of years. While the very nature of audits and subsequent audit findings lend themselves to some degree of disagreement and discomfort, the working relationship between TDH and SAO must be restored beginning with immediate action by the TDH Board and the TDH Commissioner.

We recognize that Internal Audit is designated as the primary liaison and contact point with the SAO. However, resolution of this issue is so critical that we recommend the Chairman of the Board and the Commissioner immediately facilitate a meeting with the State Auditor. In this meeting both TDH and SAO should establish a process for improving communications in this vital working relationship.

**Board Chair and Commissioner should meet immediately with State Auditor**

Another issue important to restoring trust and credibility to TDH is the completion of a peer review of the Internal Audit Division by representatives of the State Agency Internal Audit Forum (SAIAF).

The *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors require internal audit functions to develop and maintain a quality assurance program to ensure the professional credibility of their work. A periodic (currently every three years) external Quality Assurance Review of an internal audit function is an essential component of a comprehensive quality assurance program. This requirement is also contained in the "Internal Auditing Act" codified as *Texas Government Code 2102*.

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## **Restore relationship of trust and credibility with legislature, continued**

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**Former TDH Internal Auditor cancelled peer review by SIAAF**

The SIAAF is an organization of internal audit directors throughout state government that was formed in 1984 and has developed a recognized and effective system for conducting peer reviews. In 1999, TDH entered into an agreement with SIAAF to participate in a comprehensive review of the TDH Internal Audit Division. However, the former Director of Internal Audit cancelled the review after being briefed on the draft findings, which were less than favorable. Available information indicates that this is the only time a state agency has cancelled a peer review prior to completion.

TDH subsequently met the statutory and professional standards requirement in August 2000 by enlisting the services of a CPA from the private sector who is a former board member of the Texas State Board of Public Accountancy. While this satisfies the peer review requirement, it lacks the valuable input of other state agency internal auditors and their experiences. The current Director of Internal Audit should request that another review be performed under the auspices of the SIAAF organization. This will allow the agency to put to rest the issue of the cancelled peer review and will provide the benefit of a comprehensive review from a team composed of Texas state agency internal auditors.

**Request SIAAF Peer Review**

**Texans do not understand the important work of TDH**

**Improve operation of the Communications Office.** The Department of Health does not receive sufficient credit for the many public health programs it operates effectively every day. Most people do not recognize the pervasive presence of TDH efforts to promote and protect the public health in Texas - programs as diverse as food safety, rabies control, emergency management, childhood immunizations, and licensing and regulation of numerous health professionals.

**Be proactive in communications with public media**

The TDH Communications Office should be more proactive in promoting the good news of TDH to state government leadership, to the public and to its own employees. For the past few years, TDH seems to have been primarily on the defensive, responding to news stories rather than informing the public. Current

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## Restore relationship of trust and credibility with legislature, continued

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TDH publications, including the internal newsletter, *Pulse Monitor*, and *TDH In Touch*, provide good information, but this information is not marketed to the public media. We recommend a much more aggressive press policy, including issuing frequent press releases describing TDH programs and successes.

Any state agency must communicate openly and honestly with the press and still ensure that the information given out by the agency is accurate, consistent with the agency's policies and not in conflict with previous statements or policies from various parts of the agency. The current TDH media policy permits "any appropriately knowledgeable employee" to respond to news media inquiries. This policy theoretically allows the media to gather timely information from the most knowledgeable sources, which can promote the distribution of TDH news and engender good relations with the media. However, it does not confer adequate responsibility on TDH management to ensure that spokespeople for the agency are accountable for, and understand the broad implications of, their statements. Therefore, TDH should revise its news media policy to allow media responses only by executive level staff (Board members, Commissioner, COO, Deputy Commissioners and Associate Commissioners) or their designees. This policy would increase accountability for media communications and help ensure a consistent message from TDH while still allowing the media timely access to knowledgeable sources with authority to speak for TDH.

**Strengthen media communication policy to increase accountability**

The current TDH press policy appropriately requires that all contacts with the advertising media be coordinated through the Communications director. In June, 2000, the Deputy Commissioner for Administration issued a Publications Management Policy (Executive Order No. XO-0614) to create a single repository of TDH publications. It is not clear, however, whether either the advertising policy or the publications management policy currently require all informational publications to be cleared through the Communications Office. Such a

**All advertising and publications should be cleared through the press office**

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## Restore relationship of trust and credibility with legislature, continued

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policy should be in place and be enforced for all future publications. Like the media contact policy recommended above, this would ensure that TDH policy is communicated accurately and consistently through TDH publications. TDH publications should display enough of a uniform “look” that all TDH publications would be immediately identifiable as such. This would help raise the profile of TDH in the public eye.

Finally, we suggest that the Communications Office be renamed the Public Information Office to emphasize its role in disseminating information about TDH to the public and to more clearly designate the office as the contact point for members of the public seeking information about TDH.

**Government Relations Office staff do not have sufficient knowledge of agency to answer legislative inquiries quickly and accurately**

**Strengthen government relations office.** The current Government Relations Office serves primarily to gather information from the rest of the agency in response to legislative requests. There is inadequate knowledge of TDH functions within the office and insufficient proactive communication with legislators to acquaint them with TDH issues and activities.

**Staff Government Relations Office with people who know TDH**

The Government Relations Office should be staffed with people who are well versed in the operation of the agency and have responsive information directly available. To this end, the office should develop a database of frequently asked questions, answers to those questions and the source of information needed to answer the questions. The "agency administrative issues" prepared for the 77th legislative session is a good model for preparing to respond to requests for both administrative and program issues.

**Develop database of frequently asked questions**

**Inadequate screening of legislative requests**

The Government Relations office should be intimately involved in preparation of all agency requests for legislative action. Several legislative staff mentioned to the project team that some of the TDH legislative requests submitted before the 2001 session appeared to be ill conceived and inadequately vetted among TDH executive staff.

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## Restore relationship of trust and credibility with legislature, continued

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	All agency suggestions for legislative action should be carefully screened by a team made up of executive management and Government Relations office staff.	Screen all requests for legislative action
Difficult for legislature to get timely, reliable information	<p><b>Information to legislature.</b> During conversations with legislators, legislative staff, and oversight agencies, one common theme regarding TDH emerged – it is extremely difficult to obtain timely and reliable data from TDH. In pointing out this problem, legislative personnel have identified a fundamental impediment that keeps TDH from functioning as an effective state agency. Information is widely dispersed within the agency, and often stored on incompatible automated systems. No person or group is charged with the responsibility of maintaining a central data bank, or with gathering information in response to legislative requests, public information requests, or for internal agency use. Answering one question can be difficult; answering questions that require gathering data from a number of sources can be almost impossible.</p> <p>To address the immediate issue of responding to legislative inquiries, TDH management has begun a research and documentation project to identify and categorize the legislative inquiries from the previous three years and to assemble responsive information, anticipating the need for similar information in the future. This project is part of a larger data management project currently underway at the Department and discussed further on page 71 of this report.</p>	
Prior reports and recommendations often ignored	<p><b>Implementation Team.</b> As previously mentioned, there have been multiple reviews conducted and reports written that lay out recommendations for improvements at TDH. Most of the reports received attention for a short period of time, but many of the recommendations were never implemented. One major difference between this report and those previously written is the following recommendation:</p>	

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## Restore relationship of trust and credibility with legislature, continued

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We recommend that a permanent implementation team be formed and charged with three purposes:

- Making sure the recommendations of this report are implemented by TDH.
- Reporting progress on implementation of these findings as required in Rider 2.
- Facilitating a complete functional review of the agency to assure efficient and effective operations.

**Establish permanent implementation and re-engineering team**

**Implementation team should facilitate functional review of agency**

The implementation team should consist of five people with the following areas of expertise:

- Budgeting and state agency finance (1)
- Automation and information systems (1)
- Flow of work and business process (2)
- Overall knowledge of the program areas of TDH (1)

This implementation team should report directly to the Chief Operating Officer, and be charged with ensuring that recommendations are being implemented in a timely manner and reported as required by Rider 2. This team should also lead and organize the agency's efforts to conduct a functional review of agency activities, asking questions such as:

**Implementation team should ensure that recommendations are enacted and reported**

- Is the activity necessary?
- Why are the functions of the activity performed the way they are performed?
- Could the function be performed in a more efficient or effective manner?
- Is the function staffed appropriately?
- Should the function or activity more appropriately reside elsewhere in the agency?
- Should the function or activity more appropriately reside outside the agency?

**Functional review**

The formation of the implementation team is the foundation for assuring that change management is properly effected at TDH. It will be the responsibility of this team to satisfy the reporting requirements of Rider 2, and we would strongly suggest that the team work

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## Restore relationship of trust and credibility with legislature, continued

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closely with the Business Process Improvement Unit of the Health and Human Services Commission. The link to the Commission will ensure that TDH progresses in a manner that is consistent with the expectations of its oversight agency.

**Link Implementation Team to HHSC**

**Difficult for public to access information**

**Improve Public Access.** Because of the sheer size and complexity of the Department, it is often difficult for people outside TDH to identify and contact the person or program they need within the agency.

A TDH customer service workgroup is currently developing a customer service plan, which includes several excellent recommendations for improving public access to the Department. One of the most important segments of the plan deals with toll-free phone lines. The workgroup recently reviewed one month's activity on toll-free phone lines maintained by the agency. The results of that review indicated that the agency supports 67 toll-free lines, but only 37 of those (55%) had any activity. The lines are program specific and there are no numbers for general health inquiries. The workgroup recommends that, "TDH have a central toll-free line for customers to call TDH without having to pay for a long distance telephone call."<sup>3</sup>

We recommend that TDH implement a Customer Service Plan which specifically includes, as recommended in the workgroup's report, the establishment of a central toll-free line. Whether through an automated system backed up by live operators or exclusively through live operators, the toll free lines must help direct citizens to the information or assistance they need from TDH. The single access number should be publicized as part of the implementation of the new customer service plan.

**Implement TDH Customer Service Plan, including central toll-free number**

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<sup>3</sup> Memorandum from Jacquelyn McDonald to Charles Bell, et al, July 3, 2001, entitled "Customer Service Plan". p.7



## Attract and retain competent staff

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Issue	Recommendation
	The agency must focus on recruiting, rewarding and retaining competent staff at all levels.
<b>Leadership vacuum</b>	<p><b>Leadership.</b> For the past several years, TDH has suffered from a lack of strong, stable leadership at the top. There has been a different Commissioner of Health for each of the past six legislative sessions. This constant change of commissioners has denied TDH the consistent leadership necessary to instill confidence with either legislators or TDH employees. It has been difficult to institute any large-scale lasting improvements or to attract and retain competent executive level staff.</p> <p>Currently, the following executive positions are filled by “acting” executives:</p> <ul style="list-style-type: none"><li>• Commissioner</li><li>• Executive Deputy Commissioner</li><li>• Lead Regional Director</li><li>• Associate Commissioner for Family Health</li><li>• Associate Commissioner for Human Resources and Support</li><li>• Director of Communications</li></ul> <p>The position of Chief Financial Officer is vacant, and has been since the creation of the office and posting of the position in November 2000.</p> <p>The new Commissioner of Health should be someone willing to commit to a term of at least four years to establish the leadership stability that TDH so desperately needs. One of the Commissioner’s top priorities must be to assemble a complete executive team of individuals who are also committed to staying with TDH for a reasonable period of time.</p> <p><b>Fill executive level vacancies as quickly as possible with competent experienced individuals who indicate a commitment to staying with TDH for a reasonable period of time</b></p>

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## Attract and retain competent staff, continued

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**Many mid-level managers are nearing retirement**

**Staffing.** At the middle management level, many bureau and division chiefs have recently retired or are eligible to retire. The same is true for experienced technical staff. The agency must focus on retaining these staff as long as possible, and on training replacement candidates.

**TDH continues to lose technical staff**

Executive level compensation appears to be comparable to similar positions at other public health agencies in Texas. Regional administrators and bureau chiefs, however, report that they routinely lose trained staff to private industry and to federal and local public health agencies. We recommend that TDH undertake a comprehensive salary review and seek to ensure that salaries are at least competitive with local public health agencies.

**Perform comprehensive salary review**

Because turnover is inevitable, succession planning is a critical component of successful agency operation. It should be a high priority for the agency and a primary responsibility of the agency managers.

**Implement succession planning**

In addition, all TDH supervisory employees and those being trained to assume supervisory positions should receive management leadership training such as that offered through the Governor's Office.

**Require management training for all supervisory employees**

**UT survey indicates many areas of declining satisfaction among TDH staff**

**Survey.** Since 1993, TDH has participated in the bi-annual University of Texas "Survey of Organizational Excellence". The survey is designed to assess organizational effectiveness and improve the quality of life in the workplace. It can be a valuable tool for organizational improvement. The most recent survey of TDH generally reflects a workforce satisfaction level at or below the average for other large state agencies and other health and human services agencies.<sup>4</sup> Most troubling, however, is that employee satisfaction has not risen significantly in any area over the past few years and has decreased significantly in several areas. The TDH survey summary lists 8 questions with the largest

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<sup>4</sup> University of Texas School of Social Work 2000-2001 Survey of Organizational Excellence, Texas Department of Health Agency-wide Report.

## Attract and retain competent staff, continued

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percentage increase in rating and 12 questions with the largest decrease in ratings. The percentage increases range from only 0.828% to 2.006, while the decreases range from 6.186% to 12.484%. The greatest decrease in satisfaction was registered in response to the request “assess the level of bureaucracy in this organization.” Significantly, the highest overall ratings were in response to TDH specific questions having to do with the importance of TDH’s public health mission. This rating reflects the dedication to the public health mission that exist among TDH employees and suggests that with strong, stable leadership and adequate administrative support, the agency workforce could flourish. TDH should use the survey as a tool for targeting areas that need improvement and work toward greater employee participation in the next Survey.

Use UT survey as  
management tool

**Grievance procedures.** TDH has a complex system for employee discipline and grievance procedures.<sup>5</sup> Appropriately, the agency personnel policy on grievances begins with the acknowledgment that:

“Problems and misunderstandings should be worked out when possible between employees and at the lowest appropriate level of supervision. Employees are encouraged to discuss and try to resolve their work-related issues between themselves and/or through their chain of command.”<sup>6</sup>

### Multiple grievance procedures

In addition to, or in lieu of, this informal approach, an employee may invoke one or more of the following internal processes as set out in the agency’s Personnel Policy Manual:

- a formal mediation process (Sections 830-834);
- a grievance process (Sections 840-845);
- the Office of Equal Opportunity Complaint Process, if the employee’s complaint alleges illegal discrimination (Sections 850-855);

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<sup>5</sup> TDH Personnel Policy Manual Section 800: Dispute Resolution.

<sup>6</sup> TDH Personnel Policy Manual Section 820.

## Attract and retain competent staff, continued

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- a due process administrative hearing, if the employee has been dismissed, demoted, suspended without pay, or subjected to a reduction in salary - handled differently depending on whether or not the complaint alleges illegal discrimination (Section 860);
- an appeal from a pending reduction in force (RIF) action (Section 907).

The due process administrative hearing is available only to employees who are compensated below pay grade B17. When complaints include allegations of discrimination, due process hearings are conducted by a hearings examiner from the Office of General Counsel (OGC), who writes a report and recommendations, if any, on the sufficiency of evidence received to prove the truth of the allegations set out, *exclusive of the charge of discrimination*. The Office of Equal Opportunity considers the evidence received and writes a report and recommendations, if any, on the claim of discrimination. Both reports are forwarded to the Commissioner. Due process hearings which are not based on a claim of discrimination are conducted by an OGC hearings examiner, who writes the report and recommendations.

**Current procedures are bureaucratic, adversarial and do not focus on resolving the problem**

Such a complex variety of procedures requires an extremely bureaucratic system. It is adversarial, time consuming and focuses attention on the procedure rather than on resolving the problem at hand.

The employee grievance system can be simplified substantially and still offer all employees and the agency a fair and impartial process.

First, TDH should state and publicize the guiding principles of their personnel policies. Guiding Principles are stated at the beginning of the Performance Journal Course Handbook but should be succinctly stated in the agency's personnel policy manual.<sup>7</sup> During our conversations with managers at TDH, it is clear that the

**State guiding principles for personnel policies in personnel policy manual**

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<sup>7</sup> Performance Journal Course Handbook, p. 1-1.

## Attract and retain competent staff, continued

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intent of the agency is to ensure fair treatment of all its employees and to provide a work atmosphere that is free from illegal discrimination. This commitment should be publicized.

The various grievance processes offered now should be consolidated into one process. This process should not alter the status of those TDH employees now considered “at-will” employees. TDH should investigate what further process might be required to satisfy federal regulations governing certain federally funded positions.<sup>8</sup>

**Consolidate grievance processes**

An executive level Office of Equal Opportunity should function as an Ombudsman that would handle all employee grievances. (See discussion of the placement of OEO on p. 47 of this report.) Combining all grievance processes in one place eliminates the task of categorizing the nature of the complaint to determine which procedure is available. The Ombudsman would be available for all employees. Making ombudsmen available to employees has worked well at other state agencies and would benefit TDH. A trained ombudsman who can listen to an employee’s (or group of employees’) grievance and help the employee address it at the appropriate level within the agency, including the Commissioner or the Board if necessary, can be of much greater benefit to the employee than ritualized, adversarial processes driven by procedure rather than by the substance of the problem.

**All grievances to be heard by ombudsman**

**Performance Evaluations.** There is no perfect performance evaluation tool. Nevertheless, employee performance evaluations are an absolutely necessary part of a well-managed work place. Handled properly by all parties to the process, evaluations force managers to more clearly communicate expectations and their assessments of employee performance. They allow employees to express their own expectations, needs and assessments of their own performance. An effective

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<sup>8</sup> See 5C.F.R. 900, Subpart F.

## Attract and retain competent staff, continued

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process depends on a strong commitment to employee development at all levels of the organization. No evaluation tool can make this happen, but a good one can help.

**Performance journal as used is not an effective evaluation tool**

In 1995, TDH introduced its Performance Journal, an employee-developed evaluation process. Designed to increase employee input in the evaluation process, it replaced the system of numerical ratings of employee performance that had been used without change at TDH for many years. TDH staff devoted much time and energy to developing the Performance Journal. It is based on laudable goals and contains many good features. Nevertheless, in our meetings with TDH personnel, few expressed support for the Performance Journal as it is currently used. Criticisms were that it takes too much time, does not provide an accurate reflection of employee performance and does not afford an effective mechanism for management to communicate expectations and assessments of work performed. In many cases, it seems to have degenerated into a diary of kudos rather than a candid, objective exchange of information between employee and supervisor. We recommend that TDH re-examine the Performance Journal and consider a simplified evaluation process that provides a straightforward assessment of an employee's performance and offers opportunity for employee input.

**Examine effectiveness of performance journal and consider simplified evaluation process**

**TDH management and employees don't know what's happening throughout the agency**

**Reports.** In an agency as large and varied as TDH, it is extremely difficult for employees to understand the work of the agency and the current status of projects.

One mechanism for improving knowledge and communication is to have each program and region submit a monthly report which would be compiled by the associateships, submitted to the Commissioner, distributed to all executive management and available on the agency intranet. Knowing what is happening throughout the agency on a regular basis can help TDH employees recognize the breadth and importance of the agency's work and feel more connected through their own work to the agency's mission.

**Compile monthly report from all parts of the agency and publish on the intranet**

## Standardize Basic Administrative Functions

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Issue	Recommendation
<b>Administrative systems have grown independently to meet individual program needs</b>	<p data-bbox="537 384 1146 415">In its September 1, 2000 Blueprint, TDH states:</p> <p data-bbox="634 457 1276 1255">Over the history of TDH, as amply illustrated by the historical review in this document and the internal assessment, the development and creation of programs in the agency have not occurred within a framework of strategic state health priorities. Largely in the latter half of the 20<sup>th</sup> century, as each new program developed, new administrative functions, databases, or management information systems were created to meet specific program needs. This allowed each program to operate relatively disconnected from other programs, even those that were performing similar functions or serving similar populations. Today, numerous administrative, data management, and contract monitoring functions operate independently within many programs. In too many instances, the result is reduced effectiveness and an inability of the agency to adjust all its resources toward large strategic goals. This history has also resulted in a highly categorical budgeting system that has built overly rigid walls around individual programs.<sup>9</sup></p> <p data-bbox="537 1297 1276 1768">An agency of this size and complexity must have uniform administrative processes to operate as one cohesive entity. However, as evidenced by the Blueprint statement, administrative systems at TDH have often been constructed <i>ad hoc</i>, to contend with the latest change in organizational or program focus. Consequently, there is a “silo effect” at TDH; that is, many of the bureaus and regional operations of the agency function independently. Rather than operating within a standard, organized, and coordinated framework, each “silo” provides its own fiscal, information systems, and human resource support. Besides perpetuating inefficiencies, the current lack of</p>

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<sup>9</sup> Blueprint, p. 150.

## Standardize Basic Administrative Functions, continued

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**Lack of coordinated systems perpetuates inefficiencies and adds to staff frustration**

coordinated administrative systems engenders confusion and mistrust among TDH staff. Bureau chiefs and an independent board chair expressed frustration that they are unable to manage their own budgets because the numbers are constantly changing and that, in their opinion, exorbitant administrative costs are now being charged to their programs or boards. A common sentiment is that TDH administration is growing ever larger and more costly at the expense of program functions. Communication to staff regarding allocation of administrative costs has been inadequate to convince staff that the agency's administrative functions support the agency's mission.

The following observations and recommendations are designed to streamline the Department's administrative systems so that the agency truly operates as one agency and to make it possible for all agency personnel to understand the financial and administrative systems that support their own work. Because these represent a radical departure from the way TDH has normally done business, the Department can expect resistance from areas that are content with their stand-alone systems and staff. Management must clearly articulate that TDH will no longer operate as a collection of independent mini-agencies; rather, that it will from now on move in a direction of unified systems and staff, realizing the efficiencies achieved by well-run organizations in order to better serve the public.

**Stress unified systems as way to better serve public**

**Budget and Accounting.** To get its financial house in order, TDH must hire a strong Chief Financial Officer as soon as possible. With many of the programs having their own budget and accounting personnel, there is an immediate need to coordinate fundamental business practices within the agency.

We strongly support the decision of the agency to implement the PeopleSoft accounting package mandated by HHSC Commissioner Don Gilbert for use in all HHSC agencies. This software will not only replace outdated accounting systems, but will also consolidate

**Place high priority on PeopleSoft implementation**

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## Standardize Basic Administrative Functions, continued

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multiple systems. In an interview with the PeopleSoft project team manager, we determined that she was the only person in the agency who was being held responsible for its successful implementation. To assure that the individual programs were fully supporting the implementation effort and that it could be successfully accomplished by the September 1 deadline, we requested that executive management immediately charge an individual within each program with responsibility for the successful implementation of PeopleSoft within their area. These assignments were made, and we also requested that the Deputy Commissioner for Administration provide weekly PeopleSoft status reports to the Commissioner and to the project team. These reports indicate that the project is on target for implementation September 1.

**Assign responsibility within each program to assure success of PeopleSoft**

**No formal policy or procedure for budget planning process**

The process used by the agency to establish an annual operating budget is not set out in policy and procedure. While generally the same steps are followed each year, roles and responsibilities for the development of the operating budget and for the decision-making process have been negotiated on an informal basis among executives in the past. This creates an environment where roles are poorly understood, communication about the process is not adequately defined, and staff does not have a clear understanding of how the process works, how issues are to be resolved, and how decisions are to be made. All of this is complicated by the fact that the agency currently charges costs to over 1,200 individual budgets.

**Formalize policy and procedure for budget process**

**Staff do not understand budget process**

**Over 1,200 individual budgets**

Under the guidance of the CFO, TDH should immediately centralize all budget and accounting policy and procedure. The CFO should immediately review and refine the existing budget development process to ensure that these issues are addressed. This revised process should be constantly communicated to all levels of management to improve knowledge and understanding of the process.

**Centralize all budget and accounting policy and procedure**

**Review budget development process**

**Explain revised process to agency management**

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## Standardize Basic Administrative Functions, continued

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**No formal policy or procedure for budget reporting and monitoring process**

The agency should develop monthly budget reports by program for use by Executive Administration in the day-to-day management of TDH. Currently, the agency only provides management with budget reports by appropriations strategy. Again, the budget reporting and monitoring process is not stated in policy and procedure. Generally, the same steps are followed each year, which includes a mid-year review and end-of-year review that result in budget adjustments and budget management decisions. This creates a process of managing funds on a “look back” basis as opposed to utilizing projection techniques to gauge how well each bureau and division is managing the funds in their area. The CFO should establish an operating budget monitoring and reporting process via policy and procedure to ensure appropriate and timely implementation of budget management actions and decisions.

**Produce monthly budget reports by program**

**Funds managed on “look back” basis**

**Establish policy and procedure for regular budget monitoring and reporting**

**No program-based budgeting**

Management must then be held accountable for their budgets. The department’s current financial systems track budgeted dollars by strategy and were designed primarily to ensure that the department meets appropriation control requirements. The lack of organizational based budget information has made it difficult if not impossible to hold managers accountable for their program budgets. New accountability requirements for managers should be established that set out responsibilities for development, tracking, projection, and reporting of program expenditures and budget execution. These new requirements can be instituted in tandem with the implementation of PeopleSoft. PeopleSoft will provide new capability to produce ongoing standardized reporting, including organizational budget information, as well as specialized reporting using query tools.

**Program managers should receive adequate information about budget, then be held accountable for staying within budget**

The agency should specifically explore the benefits of consolidating budget and accounting staff in the department. This review would identify where budget and accounting functions are being duplicated and could

**Consider consolidating budget and accounting staff**

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Continued on next page

## Standardize Basic Administrative Functions, continued

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be consolidated, where efficiencies could be gained in the sharing of resources, and where economies of scale can be realized through the consolidation of staff and resources. This review should be undertaken as a major component of the cost allocation assessment and the functional review of all agency processes that will be led by the implementation team.

TDH bureau chiefs must understand the budget process and currently most of them do not. To ensure that agency managers have the information necessary to carry out their budget management responsibilities, the CFO should sponsor a monthly budget meeting. The primary purpose of the meeting should be to provide budget information to and obtain budget feedback from the TDH bureau chiefs. Bureau chiefs are the key middle management level in the agency, and as such, are in a position to effectively communicate budget related information and guidance and to receive and report feedback from the program areas regarding budget concerns and problems. This mechanism is critical to making the budget process work.

**Chief Financial Officer should hold monthly budget meetings with bureau chiefs**

**State Auditor's Office criticizes funds transfers**

Recently, the State Auditor's Office (SAO) determined that there were weaknesses in the appropriated funds transfer practices of the TDH. In response, the Department has developed a revised transfer information notice and submitted it to the LBB for their approval. The Department has incorporated changes requested by the LBB and has used the notice in FY 2001 end-of-year appropriation transfers. The revised notice has been submitted to the SAO for their information. The Department should provide advance notice regarding all impending transfers to the Health and Human Services Commission and legislative leadership offices, and should brief LBB staff monthly regarding transfers and other budget issues. The Department should also brief the SAO quarterly regarding progress in addressing this and other issues from the recent SAO report.

**Provide legislative staff with advance notice of transfers and other budget issues**

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## Standardize Basic Administrative Functions, continued

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The SAO has also taken issue with the Department's practice of making recurrent accounting adjustments to correct errors or to make changes to expenditures. In response, the TDH Internal Auditor conducted a review to identify and categorize the types of transactions that have been subject to these adjustments. The Department should document its findings and develop a plan to train staff that are responsible for coding and entering this data and developing new procedures for expenditure coding. The plan should include follow-up actions and an evaluation to ensure that the corrective actions result in reduced accounting adjustments. This plan should be approved by the State Auditor and included in a quarterly briefing to the SAO to report on progress in addressing these and other issues deemed appropriate by the SAO.

**Develop plan to train accounting staff on expenditure coding**

**TDH spent general revenue and "banked" federal funds**

Conversations with legislative staff and oversight agencies made it clear that TDH needed to change fundamental business practices in the way it spends certain funds. In previous years, in the Title V block grant program, which contains both General Revenue and federal funds, the agency chose to spend General Revenue first and save federal funds. This had the effect of depleting the General Revenue funds, leaving the unspent dollars at the end of the year as federal "money in the bank". Because the department had the authority to carry forward unspent federal money, any fund balances at the end of the year rolled into TDH's budget for the next year. This is not what the Legislature intended. If, for example, a program is funded with 50% federal funds and 50% general revenue, the agency should be spending each dollar on a 50/50 basis. This allows unspent general revenue at the end of the year to revert to the state's general revenue fund, as intended by the Legislature. We recommend that the CFO perform an immediate review of all federal program moneys and how they are expended to ensure that the intent of the legislature is realized. The results of this review should be discussed with the LBB and corrective action taken if necessary.

**Perform immediate review of how federal program moneys are expended**

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## Standardize Basic Administrative Functions, continued

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<b>TDH mischaracterized fee revenue as earned federal funds</b>	<p>Legislators and oversight bodies also specifically disapproved of the now discontinued TDH practice of depositing certain fee revenues that were improperly categorized as earned federal funds. Apparently, this was done because fee revenue was capped at a sum-certain amount (with any additional revenue earned going to the state general revenue fund), but earned federal funds were estimated amounts and were not capped, giving TDH unlimited access to dollars deposited as earned federal funds. This practice was also identified by the LBB and corrected by current TDH executive management. Internal Audit should conduct a comprehensive review of the manner in which all appropriated dollars are budgeted and managed at TDH to ensure that legislative intent is being followed in all instances.</p>	<b>Conduct internal audit to review budgeting and expenditures of appropriated funds</b>
<b>TDH spent \$50,000 for annual financial report</b>	<p>During a recent hearing before the House Appropriations Committee, TDH was criticized for spending \$50,000 for an outside contractor to prepare the agency's annual financial report. The committee felt that an agency the size of TDH should prepare an annual report with existing staff. In discussion with Executive Management at TDH, it was agreed that the annual report should not have been contracted, and that it would not be in the future.</p>	<b>Prepare annual financial report internally</b>
	<p>The CFO must take the initiative to conduct personal meetings with legislative staff and the LBB to discuss all controversial issues and planned deviations from past practices. This practice will ensure that concerned parties are aware of the issues and problems that TDH is facing. This practice will ensure that the department is providing timely and appropriate information to legislative offices.</p>	<b>Chief Financial Officer must meet personally with legislative staff</b>
<b>Current cost allocation methodology may not be most beneficial to agency</b>	<p><b>Cost Allocation.</b> The agency needs to examine its cost allocation methodology. At TDH many programs are funded by a combination of both federal and state dollars. These dollars may be spent on direct program services (costs that can be identified specifically with a particular program), or they may be spent on indirect costs, which are costs incurred for a common or joint</p>	

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## Standardize Basic Administrative Functions, continued

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purpose which benefit more than one program. If a staff member works 100% of their day on Food and Drug safety issues for example, their salary would be a direct charge to Food and Drug. An example of an indirect cost would be the salary paid to an individual who processes payroll for the entire agency.

It is fairly easy to determine the direct charges to be made to state and federal funds in instances where employees work 100% of their time on a particular federal grant. A person *working* 100% of their time in a program that is funded by 50% federal money and 50% state money is *paid* in the same proportion; 50% of their salary comes from state funds and 50% from federal funds.

The difficulty arises in determining how to charge the federal government for their share of indirect costs. In the case of the staff member processing payroll for the entire agency, a determination needs to be made as to how that person's salary gets charged to the many federal grants he or she is performing services for during the course of the year.

Multiple methodologies exist for negotiating with the federal government the amount the individual federal grants must pay in order to fund their fair share of indirect administrative costs. Any one method, or combination of methods, could be utilized by TDH to recover this money from the federal government.

Currently, TDH recovers some administrative costs from the federal government through an indirect cost rate plan. Through this plan, the federal government pays a negotiated percentage of agency indirect costs to fund certain administrative functions that benefit multiple federal grants. This rate is renegotiated every year with the federal government to recalculate and validate the administrative costs due. The advantage of paying a staff member's salary through money recovered via an indirect cost rate plan is that employees can work on many different programs and be utilized in the most efficient manner where needs arise.

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## Standardize Basic Administrative Functions, continued

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TDH also direct charges many administrative costs (such as salaries of computer programmers, accountants, purchasers, etc.) by assigning personnel to various programs to work exclusively on that particular program. Administrative personnel direct charged to a federal program may not work on any other program unless a different administrative cost recovery methodology is employed, such as maintaining time sheets and charging appropriate federal programs for actual time worked. A change in methodology would require approval from the federal government. Absent such an accounting of how their time was spent, the employee may only work on the program to which they have been assigned and direct charged. This type of arrangement does not allow for the maximum flexibility to utilize administrative staff where the needs are the greatest and, therefore, may not be optimal if variations in workload levels for particular programs are anticipated.

TDH must maximize the use of their administrative staff by employing the optimal methodology or combination of methodologies for federal reimbursement to thereby gain needed flexibility in the use of these staff. An assessment should be made of how efficiencies could be gained by restructuring the methodology for federal reimbursement and subsequently centralizing all administrative staff. Due to the complexity of completing this assessment, and because of the specialized nature of the expertise needed, the department should seek to contract with a vendor who has a proven track record in preparing and successfully negotiating federal cost allocation plans. Absent a restructuring of the methodology for federal reimbursement, centralization of agency administrative staff and the subsequent ability to use these staff to work on multiple programs as needs arise cannot be achieved. Results of the assessment must be included in the agency's Legislative Appropriations Request for FY 2004-2005.

**Contract with expert to assess cost allocation methodology**

**Adopt methodology that allows greatest flexibility in use of administrative staff**

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## Standardize Basic Administrative Functions, continued

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**TDH has not identified all of its administrative costs**

**Accurately identify current administrative costs.** The Department of Health continues to struggle to explain how much money it spends on administrative costs. While the Legislature appropriates money to the department for *indirect* administration via a goal restricted to use for this purpose (and caps the amount at \$37.5 million each year for the 2002-2003 biennium) the amount appropriated for this goal falls far short of identifying total administrative costs for TDH. As previously explained, indirect administrative costs are those costs identified with the support of multiple programs or divisions and direct costs are costs identified with the support of only one program or division. According to TDH sources, only 32% of programmers in the agency report to the Associate Commissioner for Information Services; the rest are employed by the various bureaus and divisions and are charged directly to the appropriate appropriations strategies. This type of direct administrative charge is never specifically identified in the agency's legislative appropriations as administrative costs. Because TDH is so decentralized and many of the administrative functions such as budget, accounting, purchasing, human resources, and information systems reside in the bureaus and divisions, neither the agency nor the legislature has an accurate picture of the total amount of administrative resources utilized at TDH. A very rough guess, based on preliminary data provided by TDH, would be that at least \$28 million in addition to the \$37.5 million appropriated by the legislature for indirect administrative costs will be spent in fiscal year 2002 by the agency on direct administration.

**Agency must control administrative costs**

It is important to note that this method of accounting for direct administrative costs is not a violation of the appropriations bill or of federal grant guidelines; however, allocation of administrative resources in this manner is not very efficient, and it does allow the agency to add administrative staff at will to individual programs when the legislature may want those programs to be spending a greater percentage of their resources on direct

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## Standardize Basic Administrative Functions, continued

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health care service or regulation of the entities under the TDH's jurisdiction. We recommend that TDH begin an immediate process to accurately identify all of its administrative costs and to coordinate this effort with the Legislative Budget Board to determine the best method to provide this information to the Legislature. One option would be to submit direct administrative costs as a separate strategy in the next Legislative Appropriations Request. The legislative cap on the current Indirect Administration goal must be raised to include both direct and indirect administrative costs. The Indirect Administration goal would be renamed and structured as follows in the agency's Legislative Appropriations Request:

F. Goal: Administration

F.1.1. Strategy: Central Administration

F.1.2. Strategy: Information Resources

F.1.3. Other Support Services

F.1.4. Regional Administration

F.1.5. Direct Administration

**Identify all direct and indirect administrative costs**

**Coordinate with Legislative Budget Board to determine best way to provide information to Legislature**

Evidence that this type of structure is needed was provided in the last legislative session when the House Appropriations Committee asked if TDH management knew how many accountants were employed by TDH, then pointed out to the department that it had approximately 150 accountants on staff located throughout the agency. Two things were clear; TDH needs to have a clear picture of its total administrative resources, and it needs to question whether the current allocation of resources is the most cost-effective way to proceed. Once the cost allocation methodology is established, the appropriations bill should allow transferability of resources from the Direct Administration Strategy to the other administrative strategies. Moving administrative resources from direct administration to other administrative strategies would allow the agency to utilize these resources in the most flexible manner. TDH should also work closely with the

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## Standardize Basic Administrative Functions, continued

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LBB to identify *exactly* what costs should appropriately be charged to any administration strategy, and any deviation from the agreed upon method should be approved in advance by the LBB.

### **Lack of coordinated purchasing costs agency money**

**Purchasing.** The agency should pursue consolidation of purchasing staff, policy, and procedures. This is necessary because staff throughout the agency can currently order what they want when they want. There has been no effort to aggregate orders in the interest of cost containment. Recently, the supervisor of the purchasing section informally worked with division chiefs to combine 49 separate orders for PCs that had arrived within a three week period. Through consolidation of the order, the agency saved over \$315,000. Similar savings can be generated through continued attention to centralized purchasing.

TDH would save money, provide better and more consistent customer service, and ensure better accountability and compliance with state purchasing law if purchasing policy and procedure is set out by the Purchasing section, which should report to the Chief Financial Officer (CFO). This should happen immediately. Benefits of centralizing purchasing at TDH are as follows:

**Central office purchasing section should establish all purchasing policy and procedure**

- Would provide for cost savings via consolidation of common orders for commodities and services. These include TDH orders for PC's, drugs and pharmaceutical supplies, office supplies, etc.
- Would allow for more effective planning and research of market and vendor opportunities.
- Would assign responsibility to one area for ensuring TDH compliance with state law and General Services Commission guidelines.

### **May be impractical to locate all purchasing functions in Austin**

In an agency as large as TDH, it may be impractical to physically locate all purchasers in Austin. Several large state agencies use a hybrid structure where a central purchasing office conducts all the large purchases, but

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## Standardize Basic Administrative Functions, continued

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coordinates closely with satellite purchasers physically located in the regions. This ensures the regions' needs can be met in a timely manner. Purchasers in the regions would strictly adhere to the policy and procedure set out by the CFO, and would be held accountable for compliance. Centralization of purchasers in Austin should be addressed by the cost allocation assessment to be performed by TDH in conjunction with the functional review lead by the implementation team, with a goal of eventually moving all purchasers in Austin under the management of the Purchasing section reporting to the CFO.

**Consider hybrid purchasing structure to allow timely purchasing in regions**

**Grant and Contract Management.** The department has made progress toward the standardization of grant and contract administration. This has been accomplished through the development of an interagency workgroup composed of representatives from all areas of the department with Grant Management Division staff serving as the facilitator. The Contract Improvement Team adopted policies that standardized contract management practices. Recommendations from the workgroup included the implementation of a standard or "model" Request for Proposal (RFP) to be used by all program contractors. This model was designed to create efficiencies in processing and training. They recommended the creation of the Contract Development System that has been implemented as the common database for all contract reporting and budgeting information. They also recommended the establishment of standardized training for program staff and contractors to improve contract management practices, and the creation of a common contracting timeline so that all programs and contractors could efficiently manage the annual contract awarding and renewal process. The department should aggressively pursue these initiatives.

While many improvements have been made, the department should immediately centralize all policies and procedures for the management of grants and contracts within the Grant and Contract Management

**Centralize all grant and contract management policies and procedures**

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## Standardize Basic Administrative Functions, continued

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section which reports to the CFO. Centralization of all policies and procedures would allow for greater accountability throughout the Department. Standards must be established that would ensure the same procedures are followed in contract negotiation, award, day-to-day management, investigation of irregularities, and renewal.

The Department should also review the number of staff assigned to facilitating contracts and grants within the bureaus and programs. Centralization of staff performing these functions should be addressed in the cost allocation assessment to be performed by TDH in conjunction with the functional review lead by the implementation team.

**Investigate centralization of grant and contract management staff**

The Department should establish consequences for missing timelines for awarding and renewal of contracts. Many of the agency's contracts require advanced planning and communication strategies to ensure that contractors, local communities and legislators are informed of changes in contracting that will occur during the awarding and renewal period, yet agency fiscal staff indicate that many contract awards and renewals are last-minute emergency efforts. Many of these contracts lack adequate documentation for procuring the requested items or services. Consequently, TDH is not in a position to determine whether the state is achieving the best value for its contracted expenditures. Agency management should be held accountable through the performance evaluation process for ensuring that contracts are processed in a timely manner.

**Hold designated personnel accountable for meeting contract renewal dates**

**Certain programs are exempted from agency contract administration process**

Currently, TDH allows some of the large programs to develop and maintain separate contract administration processes. This "waiver" process should be reviewed and amended to ensure consistency of contract administration throughout the agency.

**Review contract administration "waiver" process**

**Program's regional staff may follow their own personnel policies**

**Human Resources.** Human resources policies and procedures are developed and maintained by the Bureau of Human Resources (BHR). Staff from BHR, along

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## Standardize Basic Administrative Functions, continued

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with human resources staff from other central office programs and the regions, form a users group that facilitates communication, training and issue identification. The group is lead by the BHR within each program and region; however, there are human resource practices that are established at the discretion of management. Staff that handle human resource issues outside BHR report to their program or regional management and are not accountable for consistently carrying out the procedures that are adopted by the department.

The department should centralize all policies and procedure related to human resource management, and develop a method to ensure that there is accountability for all staff that is responsible for human resource management support and for agency managers.

**Centralize all Human Resources policies and procedures**

As a part of the functional review, and in conjunction with the cost allocation assessment to be performed by TDH, the department should specifically review the benefits of consolidating human resources support staff in the department. This review would identify where like human resources support functions are being duplicated and could be consolidated, where efficiencies could be gained in the sharing of resources, and determine where economies of scale can be realized.

**Consider consolidating all Human Resources staff**

**Automated systems do not adequately support agency operations**

**Automated Systems.** Historically, TDH has not provided automated systems adequate to support many of the functions of the agency. As responsibilities and programs were added over the years, separate systems were developed to support those activities. Individual programs receiving federal funds were allowed to build their own information services divisions and create their own computer systems. The end result is that automated systems at the department are independently designed, managed and supported. This is evidenced by the fact that there are currently 53 different licensing systems at

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## Standardize Basic Administrative Functions, continued

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**No agency-wide coordination of all systems**

TDH, 8 desktop operating systems, 5 server operating systems, and over 115 different major application systems, many residing as stand-alone systems that don't communicate with each other. Resources are used to support these various systems that could be utilized more efficiently or even reduced through efficiencies gained by consolidation of information systems staff and an agency-wide approach to system development and hardware/software procurement.

**Develop agency-wide approach to systems development and hardware/software procurement**

**Standardization effort is good but too slow**

The department has taken a major step in this biennium toward the standardization of software, hardware, and systems development methodology by establishing the Information Resources Steering Committee (IRSC). This committee is chaired by the Associate Commissioner for Information Systems (who is also designated the Information Resources Manager or IRM) and includes Associate Commissioners from selected areas of the department. The IRSC has adopted some policies that support standardization; however, due to the size of TDH and the degree of decentralization, their pace is too slow. Currently, the IRSC adopts standards but there is no accountability for execution and monitoring of the adopted standards. We recommend that IRM have the authority to set policy and devise standards and procedures that assure effective, efficient use of resources on an agency-wide basis and implement them immediately. The IRM would ensure that utilization of automation resources, whether they be staff, hardware, or software, meets the expectations of the Department of Information Resources (DIR), the Legislative Budget Board (LBB), and the State Auditor's Office. The agency must adopt a reporting system that ensures that the Commissioner, Chief Operating Officer, and the IRM have the necessary information to monitor the implementation of adopted policies and procedures.

**Adopt a system for reporting to executive staff on implementation of systems policy and procedure**

The IRSC should be continued, but should be chaired by the Deputy Commissioner for Administration, and should serve as the review point and appellate process for policy

**Deputy Commissioner for Administration should chair IRSC**

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## Standardize Basic Administrative Functions, continued

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initiated by the IRM. The committee would be responsible for affirming and reaffirming to agency staff the importance of adhering to policy and procedure set in motion by the IRM.

The IRSC should also review information resources staffing in the agency and develop a plan that would centralize automation staffing under the IRM as soon as possible. This review would be consistent with and should be coordinated with the functional review of the agency that will be spearheaded by the implementation team. It should also be a part of the review of the cost allocation methodology employed by TDH.

**IRSC performs constant review of systems operations**

We recognize that a complete centralization of information systems staff will take some time, require careful analysis, and be dependent upon satisfying requirements of the federal government as to how these positions are funded. The Department can proceed immediately, however, with the first step in centralizing information systems policy and procedure by mandating standardization of application development methods, documentation requirements, and hardware and software purchases. The IRSC should issue an agency memorandum immediately that states that the IRM is now responsible for defining these standards and formulating other policy and procedure that will be adhered to strictly.

**Mandate standardization of application development, documentation, and procurement**

The IRSC should adopt specific automation policies including the following:

- Managers' job descriptions should include ensuring that information systems policies, standards, and procedures are followed. Annual performance evaluations should measure adherence to them.
- The IRM should approve all new technology positions or reclassifications in the agency. This will ensure an agency-wide perspective for

**IRSC should adopt specific policies regarding automation**

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## Standardize Basic Administrative Functions, continued

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allocation of information systems resources, and will also ensure that information systems staff throughout the agency are paid similarly for performing like functions.

- The standardized System Development Life Cycle process should be followed on all software development projects.
- Internal Audit should prepare to increase audit coverage for compliance with information systems policy and procedure.
- Network access should be granted to the IRM's technical staff for all local area networks. Currently, Information Systems staff has not been given access to these networks. The IRM must have this access to better manage information systems assets and monitor for compliance with standards.
- All communication with DIR and the LBB regarding information systems issues must be coordinated with the IRM's office.

Under the current decentralized automated systems management process, there is no accountability for ensuring that internal customer needs are being met. The sections within Information Services, and each program area which provides automation support, establish their own standards for gathering input from customers and providing feedback. The Deputy Commissioner for Administration should create a committee of automation customers, charge the IRM with chairing this meeting on a monthly basis, and through it should encourage feedback as to the effectiveness of automation initiatives within TDH. The feedback gathered from the customer committee should be used by the Deputy Commissioner for Administration to evaluate the delivery of automated systems and support, and should be featured in the performance appraisal of the IRM.

**Create a committee of automation customers to ensure that internal customer needs are met**



## Organizational Structure

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Issue	Recommendation
<b>Current organizational structure hinders communication and accountability</b>	<p data-bbox="537 380 1276 1136">TDH is an agency of approximately 5,100 staff, with half of those positions located in Austin and the other half located throughout the state. There are eight public health regional offices in San Antonio, Houston, Temple, Lubbock, El Paso, Arlington, Tyler, and Harlingen. In addition, there are over seventy affiliated local health departments. TDH administers approximately 130 different programs. These programs are administered by public health experts such as physicians, dentists and nurses, as well as epidemiologists, sanitarians, water inspection experts, and staff with a wide variety of other skills and expertise. To effectively administer an agency of this size and complexity, knowledge of both public health issues and business operations is essential. The agency must also have an organizational chart that reflects a clearly defined reporting structure. The current organizational structure of the agency results in duplication of effort in some instances and dispersal of responsibility in others. Within the agency, staff is often uncertain as to where responsibility lies and how to access information.</p> <p data-bbox="537 1184 1276 1283">We support the agency's plan to consolidate five current program associateships to three. The current associateships are:</p> <ul data-bbox="586 1297 1260 1625" style="list-style-type: none"><li>• Associate Commissioner for Community Dynamics and Prevention Strategies</li><li>• Associate Commissioner for Family Health</li><li>• Associate Commissioner for Disease Control and Prevention</li><li>• Associate Commissioner for Health Care Quality and Standards</li><li>• Associate Commissioner for Environmental and Consumer Health</li></ul> <p data-bbox="537 1673 1276 1772">These 5 associateships will be merged into 3 well-defined areas with distinct duties and responsibilities. They are:</p> <ul data-bbox="586 1787 1203 1812" style="list-style-type: none"><li>• Associate Commissioner for Family Health</li></ul>

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## Organizational Structure, continued

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- Associate Commissioner for Disease Control and Prevention
- Associate Commissioner for Regulatory Operations

The new structure will allow for more consistency in application of policy, and will foster greater communication and coordination among the affected bureaus and divisions.

Further significant organizational changes are necessary.

A revised organizational chart is attached as Appendix 4. This new organizational chart represents the agency structure based on the following recommendations:

**Chief Operating Officer.** Create the position of Chief Operating Officer to manage the Department and report directly to the Commissioner. The Commissioner has numerous pressing responsibilities that make it impossible for the Commissioner to manage the day to day operations of an agency like TDH, particularly as it struggles to establish agency-wide systems to coordinate program and administrative functions. The success of the new Commissioner is much more likely if he or she is closely supported by a Chief Operating Officer (COO) that has experience in managing a large business operation, preferably in state government. Experience in working with legislative committees and oversight agencies would be a preferred qualification for the COO. Having a new Commissioner and a COO from outside TDH can bring a fresh look to TDH from a business perspective. The Commissioner of Health would take the lead in development of public health policy and planning, and the COO would ensure that these policies are implemented and a proper infrastructure created and maintained. The two would work as a team to lead the Department of Health into the future. Without a strong background of public health experience and proven business leadership in its top two positions, the

**Establish Commissioner of Health and Chief Operating Officer as a team that combines strong public health experience and strong management and public agency operation experience**

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## Organizational Structure, continued

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Department will continue to struggle in the years to come. All agency operations would report to the COO, including the following newly organized, or relocated, offices:

**OEO reports through HR**

**Office of Equal Opportunity.** This important office should report directly to the COO. Currently, this office reports to the Associate Commissioner for Human Resources and Support as does the Human Resources Bureau. This structure appears to lessen the agency's commitment to equal opportunity and may compromise the independence necessary to preserve OEO's ability to serve as an advocate for employees. The key issues in the organizational placement of the office are providing a visible commitment to employees and managing the office in a manner that addresses the establishment of a quality workplace environment for employees. Moving this function to report to the COO will signal to agency employees that this is an important issue to management. This office should also function as the executive level ombudsman for employees as described on page 25.

**Elevate OEO to report directly to COO**

**Strategic planning function does not receive adequate emphasis**

**Strategic Planning.** The critical strategic planning function should be a separate unit reporting directly to the COO. The new unit would be responsible for working with the board, the new Commissioner, and the Chief Operating Officer to identify strategic objectives, formulate linkages to the programmatic areas of the agency, refine performance measures, and establish strategic initiatives. This group must lead the entire agency in defining individual contributions to the strategies and developing methods to ensure communication and alignment with the strategies. They should also be charged with working closely with Human Resources to develop accountability through this process by

**Establish Strategic Planning as an independent level function closely coordinated with budget function**

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## Organizational Structure, continued

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linking strategic execution to performance measurement. The new Strategic Planning Division must coordinate with the Budget Office to ensure that the Board's strategic priorities are reflected in the operating budget and appropriations development processes. Currently, the responsibility for the development and maintenance of performance measure definitions and reporting is in the Office of Policy and Planning, but the Budget Office enters measures in the state reporting system. This division of responsibility requires coordination and communications by both offices to ensure that all of the agency's responsibilities are met and that these processes result in the effective and efficient development and use of the strategic plan and the associated performance measures. The department should benchmark this function with other major health and human service agencies to determine the means to link this function to the Chief Financial Officer in the most effective and efficient manner to better meet the long-term budget needs and strategic priorities of the agency.

**Office of Inspector General.** Create an Office of Inspector General. The comprehensive management study performed jointly by Andersen Consulting and by Tonn and Associates in 1991, recommended that TDH create an Office of Inspector General by combining the functions of internal audit and criminal investigations.<sup>10</sup> The team agrees with the concept defined in this report, and urges its implementation. Currently, Internal Audit is a separate function reporting directly to the Board of Health, while the Criminal Investigations Unit is a section of the Office of General Counsel. Combined, these two areas would form distinct reporting units within

**Create an Office of Inspector General combining internal audit and criminal investigations**

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<sup>10</sup> Texas Department of Health Comprehensive Management Study Final Report, Andersen Consulting, May 1991, p. II-5.

## Organizational Structure, continued

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the Office of Inspector General, and the Inspector General would report directly to the Board. The Inspector General must be an individual with all qualifications necessary to satisfy the requirements of the Internal Audit Act, and should serve at the pleasure of the Board. The position should be established utilizing existing vacancies within the Internal Audit Division. A strong office of Inspector General can help reestablish the credibility of the agency's business operations, and of the working relationship with the legislature and oversight bodies. To this end, the agency would be best served by hiring an Inspector General from outside the agency, someone that brings a fresh perspective and a successful history of coordination with oversight agencies.

The Communications Office, Office of Government Relations, and the Office of the Board of Health should each report directly to the COO.

**Communications Office, Government Relations, and Office of Board of Health should report to COO**

**Current reporting structure fragments program and regional operations**

**Executive Deputy Commissioner for Programs.** Create the position of Executive Deputy Commissioner for Programs. The primary purpose for creating this office is to bring the programs and the regional operations under the same management. A structure that forces the programs and regions to work together is critical to the future success of TDH. Presently, the eight regional directors report to the Executive Deputy Commissioner but are only loosely linked to each other under a lead regional director and are not organizationally linked to the programs, which report to a separate Deputy Commissioner. This separation of policy development from implementation impedes effective program management. The Executive Deputy Commissioner would provide the structure for rationally distributing resources among the regions and facilitate the necessary communication between regions and central office program management.

**One Executive Deputy Commissioner should oversee all programs and regions**

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## Organizational Structure, continued

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The Department of Protective and Regulatory Services, which also struggled with the issue of how best to coordinate statewide operations, has had success combining programs and regions under one Deputy Commissioner. Our recommendation is that TDH do the same, combining the regional office functions of the current Executive Deputy Commissioner with the responsibilities of the current Deputy Commissioner for Programs, thereby placing all responsibility for programs and regions under one position. This links program policy development with implementation of those programs in the field.

The following newly created or restructured offices would report to the Executive Deputy Commissioner for Programs:

**Associate Commissioner for Regional Operations.** A newly created Associate Commissioner for Regional Operations would be responsible for assuring adherence to and consistent application of agency policy and procedure across the regions. He or she would coordinate all regional operations, including the eight regional offices, the two state hospitals and the functions of the current Bureau of Regional/Local Health Operations. This Associate Commissioner would become the fourth Associate Commissioner under the Executive Deputy Commissioner for Programs, and would be charged with facilitating, along with the Associate Commissioners for Regulatory Operations, Disease Control and Prevention, and Family Health, a coordinated effort to carry out the duties of the department in a manner that is satisfactory to the legislature, the Board, and the local communities.

**One Associate Commissioner should oversee all regional operations**

**South Texas Health Care Center and Texas Center for Infectious Disease.** These facilities have in the past reported to the same point in the organization as the Regions, and the Hospital

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## Organizational Structure, continued

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Directors have been treated equivalent to Regional Directors. To provide uniform management to all regional entities, the Department should return to this structure.

### **Bureau of Regional/Local Health Operations.**

Functions of the current Bureau of Regional/Local Health Operations should be managed directly by the office of the Associate Commissioner for Regional Operations. As with the hospitals, the Bureau of Regional/Local Health Operations had in the past reported to the same place in the organization as the regions. To provide uniform management to all regional entities, the Department should return to this structure.

**Chief Financial Officer.** Elevate the Chief Financial Officer position to Deputy Commissioner level. Currently, the Chief Financial Officer position reports to the Deputy Commissioner for Administration. This position is charged with oversight of an annual budget of \$1.5 billion supporting 5,100 employees. Given the level of past problems with budget, accounting, and funds management issues, and given the complexity of financial operations at TDH, this position should be elevated to the Deputy Commissioner level, and should report directly to the Chief Operating Officer. Once the budget has been proposed and agreed to by the Commissioner and the Board, the CFO must be given full authority to manage this budget and the resulting allocations of resources on a day to day basis. Policy and procedure in the areas of budget, accounting, purchasing, contracts management, grants management, and travel would be defined by the CFO. This person would be responsible for understanding and adhering to the expectations of the Legislature regarding expenditure of TDH funds, and would also be responsible for personally communicating with legislative leadership and oversight agencies regarding any deviation from planned use of agency monies including funds transfers and expenditure

**Elevate Chief Financial Officer to Deputy Commissioner level**

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## Organizational Structure, continued

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revisions. The CFO should coordinate with the Strategic Planning division to ensure that strategic initiatives are properly prioritized and that planning and budgeting are linked in each and every strategy. This transfer of duties from the Deputy Commissioner for Administration will allow the Deputy to focus much needed attention on computer systems, human resources operations, and support functions.

The following newly organized or relocated offices would report directly to the Chief Financial Officer:

**Grant and Contract Management.** The Grant and Contract Management section should perform all financial processes associated with grant applications and administration and those review functions currently performed in the Office of Policy and Planning. Currently, any division or bureau in the agency can apply for a federal grant and the Office of Policy and Planning performs the initial review of a federal grant application. TDH currently has over ninety federal grants, creating an extremely complex method of finance and imposing great administrative burden on the agency.

**Consolidate all grant management functions under CFO**

While any division within the agency can apply for a grant, the Grant and Contract Management section handles the financial processes associated with the day-to-day operations of the grant. This presents a problem because the Grant section is responsible after grants are awarded but has no up-front involvement in the application. Initial involvement by Grant Management in the application process would ensure that the agency is applying for grants that fit within the agency's mission and the budget priorities established by the legislature, and to ensure that the agency infrastructure is capable of supporting the functions created by the grant. To ensure

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## Organizational Structure, continued

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cohesion between grant application and grant administration, all federal grant process and procedure should reside in one place, under the Chief Financial Officer.

### **Disconnect between allocation and expenditure of funds**

**Purchasing.** The purchasing function of a state agency can be managed and organized as a general administrative support function or as an integrated part of financial management. One of the key considerations is the balance between providing quality support to the programs by providing timely acquisition of materials, and maintaining efficient processes for competitive bidding of services to ensure accountability for efficient management of agency expenditures. The department has traditionally managed and organized this function as an administrative support function. In an agency as decentralized as TDH, this method causes a “disconnect” between the allocation of funds and the expenditure of funds. In an agency of this size and complexity, accountability for management and expenditure of state funds should reside with the CFO, and the CFO should be held accountable for making sure this is achieved in a manner that obtains “best value” for the state’s dollar. Under the direction of the CFO the accountability and management control of all financial resources must be strengthened. By locating responsibility for agency purchasing under the CFO, the CFO could develop processes and reports to provide guidance and information to the executive team. Centralization of purchasing functions would allow agency management to identify issues and create consistency in the overall financial management of TDH.

**Consolidate all purchasing functions under CFO**

**Deputy Commissioner for Administration.** The Deputy Commissioner for Administration will manage the new Center for Health Statistics, the Associateship for Human Resources, the Associateship for Information Systems, and the Support Services division.

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## Organizational Structure, continued

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**Center for Health Statistics.** Create a Center for Health Statistics. In its September 2000 Blueprint, TDH stated its intention to create a state center for health statistics. We believe this to be one of the most important initiatives TDH could undertake. As declared in the Blueprint, the new center would “coordinate the department’s data and share data with other agencies to ensure that overall direction is consistent among state programs and that all state information resources are available for decision making.”<sup>11</sup> As TDH’s data-gathering and analysis functions have gradually enlarged over several decades, the effort has been increasingly splintered among diverse programs. In part because they are located in a variety of organizations within TDH, these programs do not work together as often as they should. The result has been a lack of coordination among the data gathering and analysis programs.

**Create Center for Health Statistics**

The new Center for Health Statistics should be formed utilizing existing resources at TDH. Its core structure would be the current Policy and Planning division minus the Strategic Planning function, and it would be augmented by other resources currently residing in the programs. It should report to the Deputy Commissioner for Administration to most easily coordinate with the Associateship for Information Systems. The Center would provide a single place for external customers to inquire about many state health datasets. It should also allow the agency, through analysis of key health data and indicators, to spot trends and potential problems and work with local health officials on coordinated provision of information to the public and on rapid response to identified issues.

**Associate Commissioner for Human Resources.** The current position of Associate Commissioner for Human Resources and Support should become an Associate Commissioner for Human Resources. Human resources

**Separate human resources and support services functions**

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<sup>11</sup> Blueprint, p. 59

## Organizational Structure, continued

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issues at TDH are so important that the Associate Commissioner of Human Resources must be free to devote all of his or her time and energy to areas such as staff recruiting and retention, training of management and staff, employee morale, revision of the performance appraisal process, and centralizing of Human Resources functions.

**Support Services Division.** A separate Support Services Division should report to the Deputy Commissioner for Administration. With purchasing functions under the Chief Financial Officer, the remaining support functions under the former Associate Commissioner for Human Resources and Support should be reconstructed as the Support Services division.

This reorganized structure would eliminate several offices. These are:

**Executive Deputy Commissioner.** The duties of the current Executive Deputy Commissioner will be assigned to the new Chief Operating Officer and to the new Associate Commissioner for Regional Operations.

**Eliminate Office of Executive Deputy Commissioner**

**Chief of Staff.** For the last several years the Commissioner of Health has had a Chief of Staff position whose job description has been tailored to the desires and needs of the Commissioner and has been responsible for whatever duties were deemed appropriate at the time. The Chief of Staff position does not function in the traditional role of a Chief of Staff, and the positions currently reporting to the Chief of Staff more appropriately reside elsewhere. Once they are moved, the position should be eliminated.

**Eliminate Chief of Staff position**

**Office of Policy and Planning.** The functions of the Office of Policy and Planning would be relocated to the Center for Health Statistics, the Strategic Planning division and to the Grant and Contract Management section.

**Eliminate Office of Policy and Planning**

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## Organizational Structure, continued

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<b>Deputy Commissioner for Programs.</b> The functions of this position would reside with the new Executive Deputy Commissioner for Programs.	<b>Eliminate Deputy Commissioner for Programs position</b>
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## Other Issues

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Issue	Recommendation
<p>This review concentrated on the fiscal and administrative issues identified in Rider 2 and by legislative staff. During the course of our review, however, several issues emerged that require immediate attention. The Department can deal with three of the issues - the relationship of the public health regions and the central office, and handling of mail/remittance processing, and creation of management reports - within its current authority. No legislative action is required. Full implementation of recommended changes in the handling of professional licensing activities and the childhood immunization effort, however, will require statutory changes.</p>	

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## Other Issues, continued

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**Relationship of Public Health Regions and Central Office.** In 1970, TDH began to establish local public health regions to place service delivery resources on a regional and local level. Currently, the regions are served by eight regional offices. Each office is headed by a public health physician, who serves as Regional Medical Director.

There is no dispute that regional operations have been a good way to fulfill TDH's responsibility to provide local health services in the absence of local health authorities and to support local health authorities. Managing this far-flung and varied system, however, has remained a problem.

The activities and personnel of regions are still not fully integrated into TDH operation. At first glance, we found various examples of this failure of integration.

**Regional activities not well integrated with agency operations**

- The agency's organizational chart does not accurately represent the importance of the regional operations or their size.
- Central office program organizational charts do not include regional staff.
- The central office e-mail directory does not include regional staff.
- Administrative processes are not standardized.
- Websites vary drastically, making it difficult to find people and information or compare services.

**Revise organizational chart to reflect importance of regional operations**

**Standardize administrative processes**

The issue was examined in the 1991 Andersen report. The description of the problem in that report remains true today.

**Regional management structure does not support central office program needs**

During Phase II of our analysis it became evident that the Commissioner and senior management of the agency must reaffirm that Central Office management has ultimate authority over policy, scope of services, and regulatory requirements administered or delivered at the regional level. A

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## Other Issues, continued

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management strategy for resolving professional differences can be presented and fairly resolved. During our analysis, it was evident that tension exists between Central Office program directors and Regional Directors and this tension creates a feeling that field staff have two bosses. Finally, the current regional autonomy reduces statewide regulatory administration consistency.<sup>12</sup>

We also agree with the Andersen recommendation that “administration of regulatory functions from Central Office should include line authority with regions retaining an administrative support role.”<sup>13</sup>

**Line authority for regulatory function should be to central office**

An agency task force issued a detailed report in March 1993, which articulated many of the same problems we see today and offered several excellent concrete recommendations. The Task Force report, however, clearly diverged from the Andersen consultants’ recommendation in that the task force advocated a stronger role for regional management. This approach, rather than the Andersen Report recommendation, seems to have been largely followed and the problems noted in the Andersen report remain.

**Tension continues between the regions and central office**

We recognize that TDH management, both at the central office and in the region, continue to try to integrate the regional operations into an agency-wide endeavor. Overall, TDH personnel report that the relationships have improved over the years, but there is still significant tension.

Our review focused on one problem that we heard expressed repeatedly by Bureau Chiefs of several of the regulatory programs. The 1993 Public Health Regions task force report recommended consultation and cooperation between the regions and the programs, and there have been improvements toward that end. Some regions, however, reportedly cooperate with central

**Consultation and cooperation between the regions and programs must be improved**

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<sup>12</sup> Texas Department of Health Comprehensive Management Study Final Report, Andersen Consulting, May 1991, p. II-4.

<sup>13</sup> Ibid.

## Other Issues, continued

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### **Supervisory authority is not clear**

office program management better than others, and the division of supervisory authority is not always clear. Bureau chiefs express frustration that program management often have no control over program staff located in the regions, despite the fact that the staff are expected to help the programs meet their performance measures. Some Regional Directors hire program personnel without consultation with Bureau chiefs and assign them to tasks other than those on which the program's performance is measured. Bureau chiefs may lack authority to discipline, train and even schedule work for their staff in the regions.

### **Inherent difficulty in managing personnel who reside in the region but whose performance is dictated from central office**

There must be a cooperative effort between the regional and program management for the regional system to work. We recognize the inherent difficulty in managing personnel who reside in one office but whose performance is dictated elsewhere. Hiring, evaluation, discipline and assignment of program personnel should be a joint effort between program and regional management. It is unacceptable to have regional program staff hired and assigned without input from central office program management. Training should be conducted by the programs. Recognizing need for flexibility to meet local needs, bureau chiefs should cooperate with Regional directors when personnel are needed to cover in other programs.

We believe that our recommendation to have the regions report to one associate commissioner who reports to the same deputy commissioner as the program associate commissioners will help effect this cooperation.

### **Central office program management must have input in hiring, evaluating, disciplining, and work assignment of program staff in the region**

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## Other Issues, continued

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**Licensing and Certification.** One of the most fragmented program functions of TDH is the licensing and regulation of numerous health related occupations.

- Licensing functions take place in several programs throughout the agency.
- Computer systems are outdated and incompatible with each other
- A wide range of statutory frameworks hinder streamlining

**Licensing and regulation functions are fragmented**

Licensing activities are scattered throughout the agency. The Bureau of Licensing and Compliance is divided into two divisions, the Health Facility Licensing and Compliance Division and the Professional Licensing and Certification Division, which handle many of the Department's licensing activities. In addition, several of the program bureaus such as Emergency Management and Radiation Control operate their own licensing programs.

Some professions are licensed, some are certified, and some are simply registered. Each profession operates under its own statutory framework and the agency uses different systems, personnel, and procedures to carry out its regulatory responsibilities for each of the professions. We recommend examination of whether licensing functions can be more expeditiously handled through a centralized licensing program. The agency has studied this question many times over the past years, but with recent improvements in automated systems available to handle licensing functions, it is worth yet another look to determine if centralizing this function could improve customer service and recognize savings for the agency.

**Examine whether licensing functions should be consolidated**

**Software systems are outdated and inefficient**

In November, 2000, in response to a Sunset review requirement, TDH issued a Regulatory Review Report which described in detail the agency's professional licensing functions. In particular, the TDH report found that the agency's licensing software systems are outdated and inefficient. Moreover, they are not integrated with each other nor with inspection, enforcement and

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## Other Issues, continued

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**HHSC report  
noted problems  
in TDH support  
of independent  
licensing boards  
administratively  
attached to TDH**

compliance activities.<sup>14</sup> The staff recommended updating or purchasing computer software that integrates licensing, inspection, investigation, enforcement, and compliance activities. This recommendation should be pursued as part of the agency-wide upgrade and consolidation of automated systems. (See p. 41) If the necessary improvements cannot be accomplished with current funding, the project should be included in the agency's appropriations request for the next biennium.

**Licensing  
system  
should be  
upgraded  
and  
consolidated**

In December 2000, the Health and Human Services Commission issued a follow-up report, including a more detailed analysis of TDH's professional licensing structure and operations. The HHSC report was critical of the Department's handling of its professional licensing functions, and particularly of its relationship with the eleven independent licensing boards located within the Professional Licensing and Certification Division of TDH. We find that locating independent licensing boards within TDH creates extremely difficult management problems for the board members, for TDH staff assigned to support them, and for TDH management.

Of the nineteen health profession licensing functions located in the Professional Licensing and Certification Division, eleven are governed by independent boards, which by statute are "administratively attached" to TDH. The independent boards and the number of members on each board are:

- The Advisory Board of Athletic Trainers - 6
- Texas State Board of Examiners of Dietitians - 9
- State Committee of Examiners in the Fitting and Dispensing of Hearing Instruments – 9
- Texas State Board of Examiners of Professional Counselors – 9
- Texas State Board of Examiners of Marriage and Family Therapists –9
- Texas Board of Licensure for Professional Medical Physicists - 9

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<sup>14</sup> Texas Department of Health Regulatory Review Report November 1, 2000, p. 26.

## Other Issues, continued

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- Texas Board of Orthotics and Prosthetics – 6
- Texas State Board of Examiners of Perfusionists - 9
- Council on Sex Offender Treatment Providers - 9
- Texas State board of Social Worker Examiners - 9
- State Board of Examiners of Speech-Language Pathology and Audiology – 9

**TDH staff support independent boards, creating inherent conflict**

These boards, whose members are appointed by the governor, have independent rulemaking and enforcement authority but depend on TDH for administrative support, including space, staff, and legal support. Although TDH staff work for the boards, the boards do not report to the Commissioner or the Board of Health. This creates an inherent conflict for the staff and for the Boards and TDH. Board and agency policies may conflict and there is no adequate means within the current structure for resolving those conflicts. Any comprehensive consolidation of licensing systems will be impossible as long as current independent board structure remains in place.

Independent boards, functioning as quasi-agencies unto themselves, yet operating within the structure of a larger agency, are a fundamental organizational mistake. It is a situation created by statute and can only be fully corrected through statutory change.

The HHSC report examines several models for handling professional licensing, some of which involve moving the independent boards outside TDH altogether. The HHSC recommendations bear further study. If the licensing functions are to remain at TDH, however, the independent boards should be replaced with advisory committees similar to those that now support other professional licensing functions such as Radiation Control and Emergency Medical Services.

**Independent boards should be replaced with advisory committees**

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## Other Issues, continued

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Advisory committees, working with the Professional Licensing and Certification Division and reporting to the Board of Health, would realize the following efficiencies:

### **Clear lines of authority.**

- TDH staff would no longer have to juggle instructions from the independent board members and their own TDH chain of authority.
- Rulemaking authority would be vested with the Board of Health, streamlining the rulemaking process and helping to assure that rules are consistent with overall agency policy.

**Rulemaking authority should be vested with the Board of Health**

### **Reduction in costs.**

- Meetings could be scheduled as needed, rather than on a regularly scheduled basis, greatly reducing the number of meetings, and therefore reducing travel cost and staff resources required to prepare for and support board meetings.
- Advisory committee membership could be limited to a maximum of seven representing a wide range of interested parties and the public.
- Staff functions could be consolidated requiring fewer people to support the activity.
- Business processes would be grouped by function and not by individual program desires.
- Investigative and enforcement functions would be centralized.
- Investigative activities could be scheduled as needed rather than based on board meeting dates
- Each program would not need an identified “executive director”.

**Efficiency can be achieved through consolidation and uniformity**

**Many inefficiencies were identified with current structure**

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Continued on next page

## **Other Issues, continued**

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- Program administrators could share responsibilities based on functionally organized business processes.
- Department could issue a uniform license, certificate, or permit.

### **Increased customer service**

- Incoming calls can be centralized and routed appropriately
- Public record requests can be consolidated
- Media requests can be consolidated
- Requests for program materials (applications, laws, rules, etc.) can be centralized
- Web pages can become more uniform and more efficiently maintained

### **Consolidated examination services**

- Contracts with national vendors would be consolidated. In-house examination activities and services could be matched with a single source vendor for support.

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## Other Issues, continued

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**Slow mail service is a concern of program staff**

**Mailroom/Remittance Processing.** During the course of our interviews, several bureau chiefs mentioned that they received slow service from the mailroom. Specifically, they indicated that this was the case when fees were involved, such as payments for birth and death certificates and renewals of certain licenses. For instance, the Bureau of Vital Statistics indicated that if someone walks in to obtain a Birth Certificate, they could be in and out within an hour or less. But if that same individual mails in a request for that same certificate and encloses the appropriate fee, it may be two or three weeks before the Bureau even receives the request. This issue may be associated with a long-standing problem at TDH regarding remittance processing. In its Regulatory Review Report, TDH states that “Long delays exist in processing remittances and issuing licenses. The majority of programs cited the TDH’s remittance processing system as a major barrier to issuing licenses promptly.”<sup>15</sup> To avoid delays in processing, some program areas have indicated a desire to obtain their own post office boxes and issue remittance numbers in their own office. This is an unacceptable solution that, while understandable, doesn’t address the fundamental problem. It also poses control questions and creates potential audit issues.

Immediate processing of mail and money is fundamental to both the integrity and efficiency of any organization. Resolution of this issue is of immediate concern to TDH. Based on our discussions, TDH staff has begun a review of documents processed in the mailroom. The review encompasses mail received with money and mail with no money attached, and will track certain batches of mail through the system from the mailroom through fiscal operations to the time it reaches the appropriate bureau or division. From this, a time line will illustrate where the documents went and how long they stayed in each area.

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<sup>15</sup> Texas Department of Health Regulatory Review Report November 1, 2000, p. 26.

## Other Issues, continued

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TDH will be able to clearly identify where delays arise. We agree with the steps to be taken in this review, and we understand that the mailroom and fiscal operations, based on the results of the review, will work together to eliminate any processing “bottlenecks”.

**Bottlenecks  
must be  
identified  
and  
eliminated**

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## Other Issues, continued

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**Texas ranks 50<sup>th</sup> in the nation in childhood immunization rates**

### **Increase Childhood Immunization Rates in Texas.**

The recently released National Immunization Survey ranks Texas 50<sup>th</sup> in the nation in the percentage of children under age three who have received all of a basic recommended series of immunizations.<sup>16</sup> This is unacceptable.

Texas has ranked near the bottom of the states in immunization rates for many years. In May 2000, TDH adopted a Comprehensive State Plan to Improve Immunization Levels in Texas. The plan is designed to:

**Comprehensive State Plan to Improve Immunization Levels in Texas must be implemented**

- Enhance community involvement to target specific areas with low immunization levels
- Augment provider awareness and participation
- Enhance parent awareness and participation
- Improve data collection systems
- Integrate all TDH programs that impact immunization (Medicaid, WIC)

Because the recent survey measured immunizations delivered from 1997 to 1999, it does not reflect any improvements resulting from the actions TDH and local health departments are now taking.

TDH staff expect implementation of the state action plan to raise the immunization rate. However, the plan does not address steps which staff believe could be beneficial, but which cannot be implemented by TDH.

**Additional problems identified**

TDH staff and private physicians have identified the following additional problems:

- Statutory barriers to implementation of a fully effective immunization tracking system
- Cost of vaccine is higher than insurance reimbursement cost.

**Statutory barriers to effective tracking system must be removed**

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<sup>16</sup> The series includes 4 DTP/DtaP (diphtheria, tetanus and pertussis), 3 Polio, and 1 MMR (mumps, measles and rubella), and is referred to as 4:3:1 series.



## Other Issues, continued

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**The Texas immunization registry is an “opt in” system**

While we do not pretend to offer a comprehensive plan for improving immunization rates, we believe that addressing these two problems can significantly improve immunization rates in Texas.

Texas currently maintains a statewide immunization registry (ImmTrac), but its effectiveness is hampered by certain statutorily mandated provisions, primarily the requirement that parents “opt-in” to the system and the extremely limited access to the data.

A more effective statewide immunization registry would benefit the public health and improve immunization rates by:

- Producing a recall and reminder campaign. The state of Ohio reported an 11% increase in immunization rates after implementing a recall program.
- Providing centralized record-keeping available to the family, payors or immunization providers. This insures accurate immunization and prevents over-immunization.
- Revealing particular areas of the state with low immunization rates so that problems peculiar to that area can be analyzed and specialized improvement plans developed

The effectiveness of ImmTrac could be enhanced by:

- Changing from an opt-in system to an opt-out system for participation in the registry
- Instituting a statewide recall and reminder campaign.
- Allowing all immunization providers access to the registry.

**Switch to an “opt out” system**

**Legislation is required to change the operation of ImmTrac**

Changing the operation of ImmTrac will require legislation. We recommend reintroduction of the provisions of SB1237 introduced in the 77<sup>th</sup> Legislature (engrossed version). In the meantime, staff should be

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## Other Issues, continued

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encouraged to pursue its action plan, continue to study other state models, and consider alternative financing and vaccine delivery systems to determine if additional legislative change is needed.

Texas law requires that insurance plans cover childhood immunizations.<sup>17</sup> Many physicians complain, however, that insurance companies reimburse for immunization at a rate below the physicians' costs to purchase the vaccine. This issue requires the attention of the Department of Insurance and the Legislature.

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<sup>17</sup> Texas Insurance Code, art. 21.53F § 3.

## Other Issues, continued

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**No one is responsible for assuring access to agency data on a timely, coordinated basis**

**Develop management reports.** We recognize that complete centralization of automated systems will take time, but TDH must begin immediately to identify ways to gather data necessary to respond to requests for information from the legislature and from the public, and to manage the agency effectively.

Because automated systems have developed independently, no one has been responsible for assuring that access to the data in these systems is provided at an agency wide level on a timely, coordinated basis. Our conversations with legislative staff indicated that another health and human services agency, the Texas Department of Protective and Regulatory Services (TDPRS), had at one time suffered from many of the same problems facing TDH, but now was providing timely reliable information on both a recurring and as-needed basis. Therefore, we reviewed the TDPRS operation and were impressed with their approach. TDPRS management has over the past years developed a centralized system for acquisition of data from all over the agency and set a high priority on managing that system. Data are assembled into routine management reports used to make the decisions necessary to run a large, complex agency.

TDH must do the same. Agency management should assign a project team the responsibility for identifying the best way to extract information needed on both a recurring and *ad hoc* basis from the existing systems at TDH. The project team should report to the Deputy Commissioner for Administration. (As TDH moves closer to standardization of automated systems over the next few months and years, the role of the project team would diminish.)

**Assign project team to identify best way to extract information from existing systems**

From these existing systems, we have urged TDH to replicate to the extent possible the TDPRS management information reports. Like TDPRS, TDH should provide monthly reports to the Board of Health and TDH executive staff, to the legislative leadership and to the Health and Human Services Commissioner. At our

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## Other Issues, continued

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request, Health and Human Services Commissioner Don Gilbert and Texas Department of Protective and Regulatory Services Executive Director Jim Hine have loaned two TDPRS staff members skilled in development of management information reporting systems to assist the TDH in developing this process. Identifying and gathering legislative inquiries and responsive data as discussed on page 18 of this report is a pilot project in this broader endeavor. TDH management is fully supportive of this project and is pursuing it aggressively.

**Replicate TDPRS  
management reports**